

Australia Indonesia Partnership for Decentralisation Concept Note

Executive Summary

The purpose of the Australia Indonesia Partnership for Decentralisation (AIPD) is to strengthen the capacity of sub-national governments in NTT, NTB, Papua and West Papua, with the overall aim of contributing to poverty reduction in the region through improved sub-national governance and economic growth. This concept note outlines AIPD's purpose, its key features and the changes it is anticipated to achieve.

AIPD will effectively be the successor to AusAID's main program of support for economic and financial governance at the sub-national level in eastern Indonesia – Australia Nusa Tenggara Assistance for Regional Autonomy (ANTARA¹). AIPD will deliver a direct program of capacity building support, including technical assistance (TA) as appropriate. This support will focus on strengthening the quality of public financial management at the provincial and district levels, including the ability for civil society to actively engage in monitoring the use of public resources. Focus will also be given to supporting the development of a business environment that will encourage business development and, ultimately, economic growth. Approaches will be tailored to the needs of each participating province.

In addition to implementing these activities, AIPD will provide a platform for, and drive the increased integration of, AusAID's broader package of support for governance and service delivery in the region. Through these approaches, it is hoped that AIPD will significantly strengthen country systems and support the more effective delivery of services to the poor in Indonesia's highest poverty incidence provinces.

This document is designed to be read together with the document *Sub-National Level Engagement In Indonesia – A Framework for AusAID 2010 – 2015*.

1. Background and Analysis

1.1 Decentralisation in Indonesia

As noted in the document *Sub-National Level Engagement In Indonesia – A Framework for AusAID 2010 – 2015*, poor service delivery in many parts of decentralised Indonesia is due to a lack of government capacity to efficiently and effectively manage available resources, particularly amongst provincial and district governments. While in principle the main elements for efficient service delivery are already in place, many local governments are only just developing an understanding of how best to allocate public resources effectively and in ways that respond to communities' needs.

It is important to recognise just how recent and how large the decentralisation reforms are and, therefore, the importance of engaging directly during these formative years to ensure decentralisation succeeds. Major decentralisation reforms commenced in Indonesia in 2001, but real implementation began only in 2004. Regulations governing

¹ \$30m over 2005-10

these reforms have since been revised, including strengthening and clarifying the role of provinces. The scale of decentralisation is enormous, with over two million public service positions transferred from the centre to sub-national governments, and districts being given the responsibility of managing around 40% of public expenditure in Indonesia (up from about 12% in the mid 1990s).

Local governments and other relevant stakeholders are increasingly open to dialogue over the reform agenda needed to support sub-national governments to improve service delivery. For example, a series of participatory public expenditure reviews carried out in eastern Indonesia² has found a broad and enthusiastic audience in both local governments and in civil society – actors who had never previously been engaged in public dialogue over the allocation and execution of public funds – who are enthusiastic to work towards a shared goal of improved understanding and utilisation of public funds at the district and provincial government levels.

These reviews also highlighted a number of other key points:

- local governments did not have a full understanding of the total envelope of budgetary resources at their disposal;
- allocations rarely matched overall development priorities, and they lacked consistency and logic;
- bottom-up proposals did not play a significant role in funding decisions; and
- public discussion of the budget improved the quality of planning.

Building on these foundations, Australia can help transitioning governments respond to community concerns and implement effective public administration and service delivery. Supporting government systems and functions that enable service delivery will maximise the investments AusAID is making through sectoral programs and multiply impacts beyond sectors where AusAID is not directly engaged. Enhancing the governance functions of provincial and district governments is the long-term key to achieving lasting improvements in service delivery in Indonesia.

1.2 Responding to lessons learned

AusAID's experience with ANTARA Phase 1, and with other sub-national programs, has helped to shape the current proposal.

ANTARA is a \$30 million, five-year program due to end in 2010 that was designed to identify what works in the region (largely through small-scale pilot activities) and to replicate smart practices across the provinces. Attachment A provides a summary table of ANTARA's main activities and outcomes.

Although today considered a success, ANTARA went through a difficult start up period that culminated in a major overhaul in 2007. Problems experienced during the early implementation phase included:

- lack of strategic direction and leadership at program management level;
- poor focus and internal logic resulting from the wide range of activities undertaken, and;

² These have been carried out jointly with the World Bank, and are known as Public Expenditure Analysis and Capacity Enhancement (PEACH). More information is available from www.worldbank.org

- a lack of an overall strategic vision resulting in duplication and overlap with sector programs.

These problems were exacerbated by a large and rapid scaling up of the Indonesia country program during 2005, which in turn contributed to a failure to develop a shared approach to sub-national governance.

A Mid-Term Review (MTR) undertaken in mid-2008 concluded that ANTARA had demonstrated its ability to provide flexible and responsive mechanisms to improve governance and reduce poverty in Nusa Tenggara. The MTR recommended that the program continue for another 5 years, from 2010 – 2015, and that it go ahead with the planned expansion to NTB. It also recommended that the program's focus should be sharpened, and that in developing strategies for disseminating lessons and good practice, the new phase should advance 'horizontal learning', in which local governments and donor programs based in eastern Indonesia promote peer-to-peer learning and share smart practices across the region. In addition, the MTR recommended strongly that:

- efforts be made to develop sound relationships between ANTARA and both local government (through secondments from provincial administrations to ANTARA) and national government; and
- a contingency funding window be created within ANTARA to allow for funding of high priority activities in areas not readily addressed under the program's existing strategic objectives and outputs but consistent with the revised goal.

AusAID has accepted the recommendations outlined in the MTR and ANTARA is currently expanding into NTB. In March 2009 the Government of Indonesia (GoI) agreed to an expansion into Papua and West Papua provinces, meaning ANTARA is now operating in the AIP's four priority provinces in eastern Indonesia.

AusAID has also learned a great deal about what works and what does not work in the sub-national context from other programs working with governments at the sub-national level. These lessons are set out in more detail in *Sub-National Level Engagement In Indonesia – A Framework for AusAID 2010 – 2015*.

2. Proposed Program: Australia Indonesia Partnership – Decentralisation

2.1 Key Principles and Features of AIPD

AIPD will provide a platform to support the reform and increased effectiveness of local government over the medium to long term.

The proposed Program will run for five years from January 2010 – December 2014. It is envisaged that the budget will be around AUD50-60 million, with annual expenditure over the five years likely to be around AUD12 million.

AIPD will be a long-term commitment to support incremental systems change at the sub-national level in a way that is flexible, responsive, and demand-driven. This will be achieved through the use of an annual planning cycle for activities under AIPD. Activities and approaches will be tailored for and respond to the different needs of the

different participating provinces. An example of the what the goal, objective and output hierarchy may look like is included at **Attachment B**.

It is anticipated that the outcomes from the AIPD will be significant improvements in local governments' capacity to deliver services effectively. It is hoped that this will in turn contribute to reduced poverty, and progress towards the Indonesian Millennium Development Goals in several of Indonesia's poorest provinces.

AIPD will aim to:

- deliver significant support for strengthening governance capacity at the local level in order to tackle key constraints to service delivery and economic growth, specifically in the area of public financial management and supporting the development of an improved business environment. This will include supporting the role of civil society in these policy and decision-making forums;
- develop Indonesia's ability to use domestic systems effectively, both from the central government down to district governments and reporting back up again, as well as within and across levels of government;
- promote horizontal (peer-to-peer) learning, through a range of mechanisms including support to think tanks, knowledge management foundations and forums for information sharing amongst key local leaders³;
- use AusAID's grant resources to leverage much larger investment funds from domestic revenues and other donor programs in support of the above mentioned types of reforms;
- ensure integration of AusAID programs in eastern Indonesia, with a focus on bringing together (and potentially managing) the common governance elements addressing shared constraints across other AusAID programs working at the sub-national level (health, education, infrastructure). This may include developing and supporting the use of common tools in AusAID programs e.g. tools for planning and budgeting.

Further, AIPD will lead AusAID approaches to other key cross cutting elements of sub-national programs in eastern Indonesia such as use of government systems, M&E, gender, environment and HIV.

While Australia intends to build on the successes of the current ANTARA program through AIPD, AIPD will differ from ANTARA through its proposed focus on building capacity in a single reform area – improving public financial management - and its platform approach. In addition, it will significantly revise its approach towards capacity building. TA will still be offered through AIPD but it will not be the default option, and will be delivered in a more capacity-focused way: TA will, wherever possible, be used to build capacity, rather than as a substitute for it through 'gap-filling' (see 2.2 below). AIPD will also differ from ANTARA through:

- greater emphasis on improving local government performance in service provision, rather than direct service delivery or livelihoods activities at the community level;
- a focus on working with legislators, given their key role in resource allocation;

³ For example, support to the development of Yayasan BAKTI, support to the Eastern Indonesia Forum and BAPPEDA forums

- emphasis on learning and building on the successes of other relevant initiatives like SOfEI; and
- the flexibility to manage contingency funds or funds on behalf of other donors.

AusAID sector programs, including Health Systems Strengthening, Maternal and Neonatal Health and Basic Education that work with line ministries at provincial and district levels, will provide complementary capacity support for service delivery outcomes that benefit the poor. AIPD will support further linkages between these programs to further ensure cohesion across programs. For example, it may take on the direct management of the governance component of BEP II. The new management structure, focused around a sub-national section and a sub-national adviser, will also enhance integration and the application of a common approach across sectors.

In addition, it is proposed that the program will:

- work through and align with, to the greatest extent possible, government systems and structures, emphasising strong partnerships, GoI leadership and commitment and mutual respect in accordance with the Paris Declaration, Accra Agenda for Action and Jakarta Commitment;
- be innovative, responsive and flexible,
- be demand-driven and tailored to the needs of each sub-national government, as well as relevant to the needs of the community;
- utilise evidence-based programming with a strong M&E framework which is results-based and has realistic goals, and uses a system of continuous evaluation ensuring the program remains relevant;
- promote synergies with Australian and other donor programs, leveraging off other successful investments and promoting horizontal learning and knowledge management/exchange relating to development lessons and successes, e.g. through building on the successes of SOfEI;
- promote transparency and zero tolerance of corruption, including through involvement of civil society,
- promote gender equality and environmental sustainability in all aspects of the program;
- pilot activities to test ‘what works’, building on the approach developed by ANTARA but with a more strategic focus; and
- be consistent with AusAID policies⁴.

The Ministry of Home Affairs (MoHA) is likely to be the main counterpart agency at the national level because of its oversight of decentralisation and because the program can build on close links already established through ANTARA. However, the Program will also work closely with other partners at the national level, including Bappenas, the Coordinating Ministry for People’s Welfare, the Ministry of Finance, and relevant line agencies. The Program will work closely with provincial government in each participating province as the sub-national counterpart. Partners may include any relevant actors at the local level as identified together with the national and provincial

⁴ The program will promote an inclusive approach to development in line with AusAID disability and gender policies. Although it is not expected that the Program will work directly with children, it will be sensitive to the application of the Child Protection Policy.

counterparts.

2.2 AIP and capacity building – a revised approach to TA

To achieve its objective of improved service provision for the poor, the Program will focus on developing the capacity of sub-national governments in financial and economic governance. In line with its emphasis on flexibility and responsiveness, the Program will support a mix of capacity development activities, directed principally at the organisational and institutional levels, but also at the individual level where appropriate. AIPD will have a focus on developing capacity through the provision of TA personnel, but in recognition of the fact that TA is only one of a number of capacity development tools. TA will not be a default option.⁵

TA to support Indonesian development has a mixed track record that was reviewed carefully during preparation of this program. Positive examples of donor-supported TA include the multi-donor long-term provision of TA to the Ministry of Finance, which has now developed into what is generally recognised as one of the top ministries of its kind. By contrast, every donor has stories of expensive TA that is sidelined or ignored, with little if any sustained impact being in large part product-based TA (focused on producing a document), rather than the more sustainable, process-based (focusing on behavioural change).

The lessons learned from that review will be applied in developing and delivering TA support under AIPD. These lessons include:

- TA should focus on building institutional capacity rather than individual capacity wherever possible, to mitigate against frequent staff turnover (*mutasi*);
- ownership of TA by local partner governments is crucial to the effectiveness and sustainability of capacity building, and demonstrated commitment from high-level management is required from the outset, preferably in the form of cost-sharing but also through country-level management;
- TA should be responsive to local needs and demand-driven;
- roles and responsibilities will be clearly defined, and a shared understanding of the purpose and expected outcomes of the TA will be established. Joint evaluations to test effectiveness and relevance can also be valuable;
- short-term TA may be engaged to address immediate operational needs where local capacity is very poor, but the focus needs to be on longer-term support that can engender lasting institutional/behavioural change. There will be a recognition that institutional change takes time and expectations will be adjusted accordingly;
- TA should be located within partner government agencies wherever possible; and
- TA should not substitute for partner government functions, but play a mentoring and supervisory role, except where there is strong justification otherwise.

⁵ AusAID, "OECD DAC Peer Review of Australia 2009 – Submitted to the DAC by the Australian Agency for International Development", 2008, at 41.

AIPD will utilise TA personnel only where appropriate and strategic to do so with a focus given in the design phase to identify how TA can best be used to achieve effective and sustainable outcomes⁶ within potential limits and risks. Any use of TA personnel under AIPD will be based on an assessment of an organisation or institution's needs, and the need to balance short to medium term outputs against the achievement of behavioural change within an organisation or institution over the longer term.

The use of TA will require clearly defining roles and responsibilities (including those of counterparts) before the commencement of TA, to support a shared understanding about the functions of the TA, and to develop local capacity to manage and utilise TA effectively over time. AIPD will support local capacity further by using national specialists linked to local organisations wherever possible (e.g. academic and training institutions, CSOs etc.), rather than international specialists.

Currently there are very few incentives in the Indonesian public service, which has led to an underpaid, largely under-motivated and under-performing workforce. The program will therefore investigate the appropriate use of incentives in order to make the TA approach effective. The more technical approaches supported by TA (e.g. strengthening skills in public financial management) will be complemented by capacity development activities that are directed at increasing demand within communities. These may include activities that teach political and rights awareness and strengthen NGO leadership.

2.3 Input from local stakeholders

AIPD has also been shaped strongly by input from relevant national and provincial level governments and local communities. Efforts to consult with key stakeholders and ensure local ownership have included:

- a multi-stakeholder workshop in Bali on 23 February 2009 to discuss the development of the new concept (Indonesian government counterparts, together with representatives from other AusAID programs);
- a Governor's roundtable in May 2009 attended by governors and vice governors from NTB, NTT, Papua and West Papua and the Australian Parliamentary Secretary for Development Assistance; and
- ongoing community consultations on issues around service delivery and other constraints to development.

2.4 Geographical Focus

The proposed program will work in NTT, NTB, Papua and West Papua. These provinces have been identified as priority provinces under the Australia Indonesia Partnership Country Strategy 2008-2013 because of their high rates of poverty⁷ and challenging development contexts. However, it is envisaged that the program will be such that it could be adapted and replicated in other provinces in future years.

⁶ Factors to consider will include whether it is demand-driven, of a kind that can be absorbed and whether in-line or advisory support is required or potentially a hybrid model with elements of both.

⁷ Papua Barat (39.3%) and Papua (40.8%) have the highest rates of poverty in Indonesia. NTT (27.5%) and NTB (25%) are the 4th and 7th poorest provinces respectively. The Indonesian national poverty rate is 16.6% (2007 data). *Trends of Selected Socio-Economic Indicators in Indonesia, BPS, March 2008.*

AIP is intended to provide a fulcrum that can support AusAID's ongoing focus on eastern Indonesia. **Attachment C** summarises the current portfolio of sectoral programs that are operating in the same areas and which form part of the overall package of sub-national support.

2.5 Proposed Management Model

The current ANTARA management model with a Program Director contracted directly to AusAID, supported by a managing contractor (Management Support Team, or MST) to provide administrative and logistical support to implement the activities has proven effective. It is therefore recommended that the program continue to use this structure, with modifications to reflect the expanded geographic focus.

It is proposed that there will be a main office based in a sub-national capital, with satellite offices located within Provincial Government offices (Sekda/Bappeda) in each priority province. The Program Director will be based in the main office. Each provincial office will have an Assistant Program Director with sufficient administration and resources.

The program will continue to have a Program Coordination Committee (PCC), made up of representatives from AusAID, GOI and AIPD, to approve planned activities on a 6-monthly basis. In addition, the program should continue with an advisory board, comprising members from a variety of backgrounds including the private sector, NGO community and higher education institutions. Opportunities for secondments should be explored, such as from National or Provincial Government to the program or vice versa.

2.6 What success will look like and approaches to performance measurement

It is envisaged that AIPD will achieve significant improvements in economic and financial governance capacity at the sub-national level in eastern Indonesia, thereby tackling key systemic constraints to service delivery. It is expected strengthened government systems will in turn produce higher quality service delivery outcomes for the poor over time.

Success of AIPD would include:

- the Government of Indonesia leading the replication of AIPD-supported reforms or other reform innovations in other locations;
- increased proportion of local government budgets being spent on service delivery;
- increased amount and quality of services delivered by local governments;
- timely transfers of budgets to provincial/district governments and budgets executed in accordance with plans;
- increased ability of local governments to report what budgets were spent on;
- increased transparency around the allocation and actual use of local government budgets;
- community actors becoming a voice in policy decision-making and budget prioritisation processes; and
- increased investments in local communities and quicker periods for the registration and start up of new businesses.

A single high level monitoring and evaluation framework will be developed and shared by all sub-national programs. This will contain a maximum ten clear and measurable performance indicators. These will measure the collective contribution of AusAID's suite of sub-national programs towards, for example, ensuring that the percentage of local budgets spent on service delivery increases over time and towards the achievement of key MDG indicators. AIPD will lead the development and monitoring of this framework.

Specific program level indicators will also be developed for AIPD, with a focus on outcomes. Comprehensive consideration of the issues relating to monitoring and evaluation of the activity is provided at **Attachment D**. Appropriate indicators will also be developed to measure AIPD's progress towards integrating sub-national programs. An appropriate allocation will be made from the AIPD budget towards monitoring and evaluation. This amount will be commensurate with the size of the investment overall, approximately 3- 5% of the total program budget.

The TA delivered under AIPD will also be monitored via rolling (six-month or annual) joint evaluations. A mechanism to measure systemic and behavioural change will also be developed.

2.7 Risks

The design team will be tasked to develop a risk management strategy, especially relating to Papua and West Papua. Risks in the Papuan provinces are very high, and include political risks, instability and security risks, fiduciary risks, poor human capacity, limited communications and infrastructure. Part of the strategy for mitigation should be the strategic recruitment of indigenous Papuans. The program will also acknowledge the particularly slow pace of development in these two provinces and the need to be realistic about expectations.

Other identified general risks are outlined in **Attachment E**.

Attachments

A – Summary of ANTARA’s Main Activities and Outcomes

B – Example AIPD Framework

C - AusAID’s Poverty Reduction Program for Eastern Indonesia

D – Monitoring and Evaluation

E – Risk Matrix

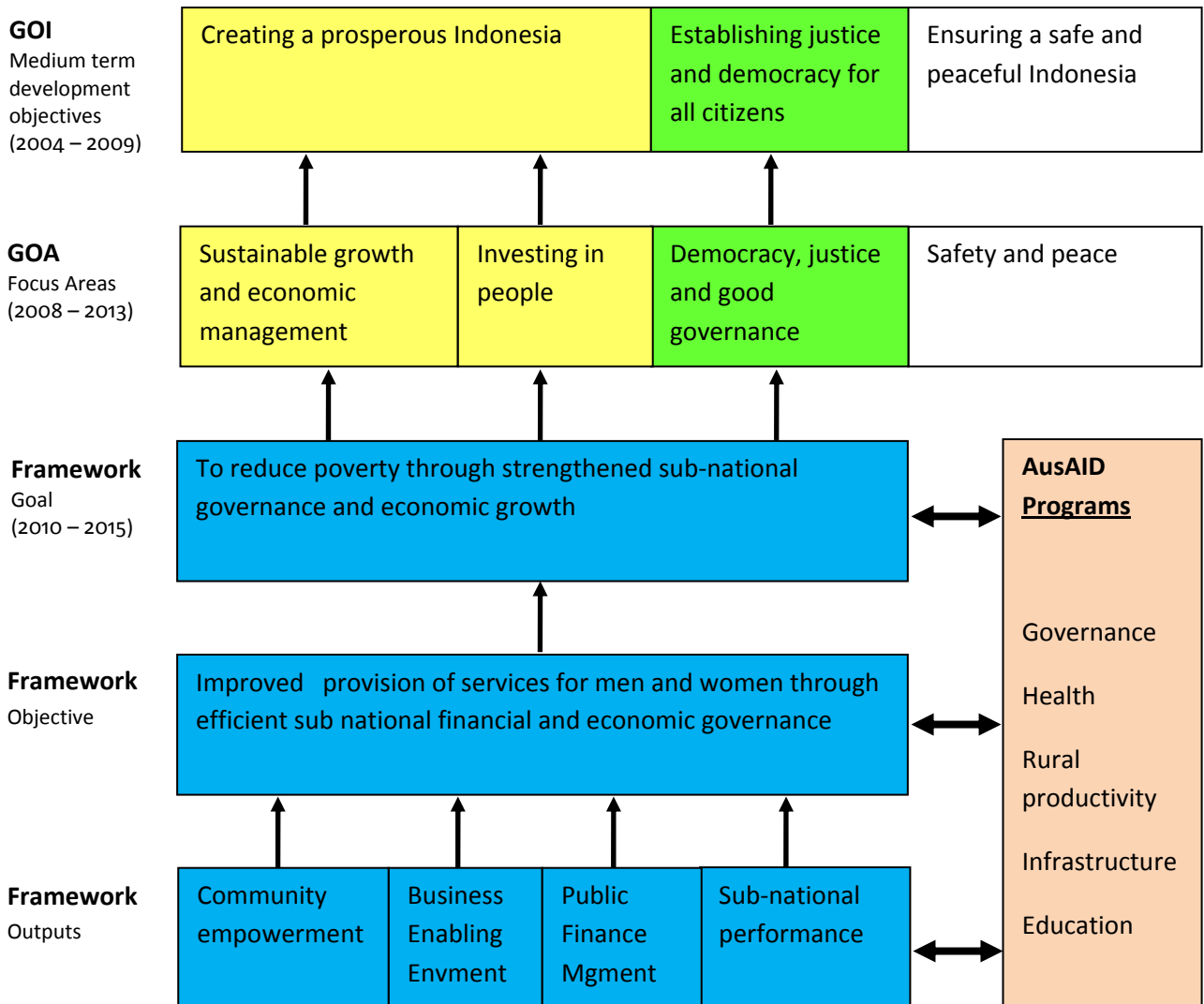
Key References

1. Australia-Indonesia Partnership Country Strategy 2008-13
2. Indonesia Medium Term Plan 2004-09
3. Paris Declaration
4. Accra Action Agenda
5. Millenium Development Goals
6. Jakarta Commitment
7. Indonesian legislation on decentralisation
8. AusAID Sub-National Governance Framework
9. OECD DAC Peer Review of Australia 2009
10. ANTARA concept and strategic framework
11. ANTARA 6-monthly Progress Reports
12. Multi-stakeholder consultations – Bali, 23 February 2009

ATTACHMENT A: Summary of ANTARA's main activities and outcomes

Input/Activities	Outcomes	Achievements
<ul style="list-style-type: none"> • M&E Capacity Building (pipeline) • PEACH • Civil Society Strengthening (pipeline) 	<p><u>Objective 1:</u></p> <p>Improve governance</p>	<ul style="list-style-type: none"> • NTT Provincial Government and 7 districts/city have used Public Expenditure Analysis as a basis for producing Medium Term Development plan (RPJMD) and 5 year operational strategic planning (RENSTRA). • Provincial Government of NTT committed to produce and use Planning Budgeting Consolidation Matrix (MKPP+) to ensure alignment of development to Governor's agenda, global & national targets, & mechanism for monitoring and evaluation. • PEA and MKPP+ have great influence in changing the way government agencies developing budget. With PEA and MKPP+, they develop the budget in line with agenda and priorities (Provincial Development agenda and other global indicators).
<ul style="list-style-type: none"> • WiSATA activity • Regulatory Framework Study • TA to establish One Stop Services • Integrated farming systems, Horticultures, Livestock and marine cultures, Off farm work – weaving and food processing, Saving and lending/ Micro finance activities • Pilot food security activities • Migrant Worker Empowerment • Access to Finance Survey 	<p><u>Objective 2:</u></p> <p>Increase Incomes for women and men</p>	<ul style="list-style-type: none"> • Provincial Government and districts are in the process of <u>establishing One Stop Services</u> to improve business licensing environment for small and medium enterprises. • Various income activities have <u>increased beneficiaries' incomes</u> by up to 67%. • <i>Collective marketing</i> was able to <u>increase market price</u> by 10-25% from the existing price. • One MFI and various saving and loans activities were able to accumulate capital of Rp. 3 billion in 2 years, from the seed capital provided by the project of Rp 600 million (420% increment) with 3,900 active members accessing various financial services; saving, lending & insurance. • <u>Production and productivity</u> of the crops increase after project intervention, for example maize productivity increase from 1.2 t/ha to 1.6 t/ha; peanut from 0.5 to 0.7 t/ha. The area cultivated for food crops was also increased from the average of 0.5 ha to 0.75 ha • Many farmers were <u>adopting new and improved technology</u> such as new varieties, improving cultivation techniques, moving from shifting cultivation to sedentary farming and using green manures to keep environment
<ul style="list-style-type: none"> • Medical Supply Management • Surgical Services • Access & Quality in Primary Education 	<p><u>Objective 3</u></p> <p>Improve capacity to deliver basic services for women and men</p>	<ul style="list-style-type: none"> • Total of 12 health centres in Belu and Sumba Timur (6 respectively) (100%, N=12) have reached minimum standard in medical supply management as assessed criteria. • A total of 847 patients have gained access to and benefited from life changing surgical operation and 4,167 patients benefited from consultation and screening • A total of 15 newly established semi permanent schools in Kupang and Sumba Barat (including Sumba Barat Daya and Sumba Tengah) have become on-budget public schools with local governments providing resource (eg. teachers and funds) and are now fully operational. • Total of 1244 children (702 boys and 542 girls) enrolled in these schools with trained teachers and school committee members supporting the schools.

Attachment B. Example AIPD Framework



ATTACHMENT C - AusAID's Poverty Reduction Program for Eastern Indonesia

Sector	Project Name	Location	Budget	Time Frame
Sub-National Governance	ACCESS	East Nusa Tenggara (Kupang, Suma Barat, Timor Tengah Selatan)	AUD26.5m	May 2008 to Apr 2013
	Australian Community Development and Civil Society Strengthening Scheme (Phase Two)	West Nusa Tenggara (Bima, Dompu, Lombok Barat, Lombok Tengah) South Sulawesi (Bantaeng, Gow, Jeneponto, Takalar) S/East Sulawesi (Buton, Buton Utara, Kota Bau-Bau, Muna)		
	ANTARA	West Sumba, East Sumba, Kab Kupang, Timor Tengah Selatan, Central Lombok, West Lombok, Dompu, Bima, Jeneponto, Bantaeng, Takalar, Gowa, Muna, Buton, Buton Utara, Kota Bau-Bau, Kab. Kupang, Manggarai Barat	AUD30.0m	May 2005 to May 2010
	PNPM	Nationwide	AUD9.0m (to date)	2009-2014
	PEACH	Papua	AUD1.0m / 0.3m	2006-2009
	RESPEK	Papua West Papua	AUD2.7m	2007-2010
	Strategic Plan for Village Development Program (Rencana Strategis Pembangunan Kampung)			

Sector	Project Name	Location	Budget	Time Frame
	SADI Smallholder Agribusiness Development Initiative	NTB NTT South Sulawesi S/East Sulawesi	AUD38.0m (Phase 1)	2006-2010
Education	AIBEP Australia Indonesia Basic Education Program	Banten, Bali, Gorontalo, Central Java, East Java, South Java, Central, Kalimantan, South Kalimantan, West, Kalimantan, Lampung, Maluku, North Maluku, NTT, NTB, Central Sulawesi, South Sulawesi, S/East Sulawesi, North Sulawesi, West Sulawesi, South Sumatra	AUD388m (= \$200m loan and \$188m grant; inc \$77m capacity devt for governance component)	May 2006 -June 2010
Health	AIPHSS Australia Indonesia Partnership for Health Systems Strengthening	For DHA project: East Sumba and Sikka Roll out DHA to other districts in NTT in early next financial year.	AUD12.0m (Health Financing component - District Health Account (DHA) project: \$200,000)	2008-2010
	AIPMNH Australia Indonesia Partnership for Maternal and Neonatal Health	Ngada, Manggarai, Manggarai Barat, Sikka, Sumba Barat, Lembata, Sumba Timur, Ende, Kota Kupang	AUD49M	2007-2011 (3+2yrs)
Regional Development	PAMSIMAS Community-Based Water and Sanitation Program (Penyediaan Air Minum Dan Sanitasi Berbasis Masyarakat) (Phase Three)	Banten, Gorontalo, West Java, Central, Java, South Kalimantan, Maluku, North, Maluku, NTT, West Papua, West Sulawesi, South Sulawesi, Central Sulawesi, West Sumatra, South Sumatra, Riau	10.0m / 275m	2008-2013 (3yrs)

Sector	Project Name	Location	Budget	Time Frame
	WSLIC2 Water and Sanitation for Low Income Communities (Phase Two)	Bangka Belitung, East Java, West Java, NTB, South Sulawesi, West Sulawesi, South Sumatra, West Sumatra	AUD12.5m / USD77.4m WB loan	2001-2010 (9yrs)

ATTACHMENT D: Monitoring and Evaluation:

The development of detailed M&E frameworks will follow the design. The design will describe what sensible model (or sets of assumptions/hypotheses) that may work to resolve the problem (s). Once this set of assumptions or model has been clear, a process of establishing detailed M&E frameworks to identify what changes of conditions and how to measure them would be more effective. Appropriate, cost efficient and effective M&E frameworks could then be established to reflect the design.

Main principles:

Some key operating principles that will guide the design team include;

- Mirroring a flexible, demand driven and responsive model of sub-national program, M&E frameworks should also be flexible, be developed and reviewed overtime. If the assumptions about how program should work change because of some observed changes in the social economic context of the program, its M&E frameworks should also be adjusted.
- Focus on outcomes achievements separating information on changes of conditions and behaviors, answering “so what question” to delivery of services and inputs.
- Recognize that there are varying degrees of outcome levels and scales. Different levels of outcomes include immediate, intermediate and long term Different scales include Activity, Facility/Sub-national Framework, & AIP Country strategy levels, or in Indonesian Government context we have District, Province and National level.
- Recognize that there should be a clear causal linkage (strong program logic) from delivery of inputs and services to the desired changes.
- The Program (concept note) should not be able to solely attribute to the achievements of higher-level outcomes. It recognizes that there are other influencing factors in any achievement of higher-level outcomes (intermediate – long term outcomes) that come into play.
- Focus on results based M&E system, which indicates clearly the desired changes at different outcome levels (*Outcomes statement*), the starting condition (*Baseline*), and targets (*Endline*).
- The M&E frameworks should be sensitive to different contexts of the four priority provinces. Targets should take into account varying resources and operating environments that the Program would face across these provinces.
- Measuring equal focus on products and process use. This includes building up local capacity in M&E and evaluation culture among universities and institutes primarily, with government as commissioners and consumers. M&E framework should be able to capture these institutional changes of conditions and behaviours.

Main Indicators for AusAID Subnational Programs

- ***Long-term outcomes***, it should be recognized that there would be limited direct influence by sub-national program. Some indicators may include Human Development Indicators and Poverty level.
- ***Intermediate outcomes***, there would be still limited direct influence but the subnational program may have contributions. Some indicators include Incomes, Nutritional status, Maternal Health, Net enrollment for education.
- ***Immediate outcomes***. Programs could have influences over the observed changes. Indicators may include number of district governments with improved PFM system, observed improved quality of plans (RPJMD & Annual Plan/Budget) based on pre-determined criteria, changes in structure (human resource management & infrastructure) in implementation of better planning and budgeting.

Main Indicators for AIP's work on PFM

Some specific indicators may focus on (taken from AIP Country Strategy 2008-2013):

- Better resource allocation and public financial management at district level on education, health and infrastructure.
- Changes in structure (human resource and organizational structure) in implementing efficient and effective public financial management on these three sectors.
- Better understanding of, demand for and participation by civil society and local universities in provincial planning, budget and delivery processes

Main hypothesis

Using If-Then (program theory construction⁸) principle, the main hypothesis of this sub-national concept will be as follows.

“IF” there are the following **changes of conditions** in place **in the prioritized provinces and districts**, such as:

- Strong community participation in development
- Favorable business enabling environment
- Improved public financial management
- Better capacity to monitor and evaluate sub-national development performance

“THEN”, **more efficient sub-national financial and economic governance** is expected to occur. When province and district governments have become more efficient in managing their finance and economic development, they would be able to improve the provision of services for the people. If this continues over time then the goal of poverty reduction can eventuate.

⁸ Leeuw, F. L. (2003). Reconstructing Program Theories: Methods Available and Problems to be Solved. *American Journal of Evaluation*, 24(1), 5-20.

Methods in measuring results

For higher-level outcomes such as intermediate and long term outcomes, the Program should use the Indonesian Government (GoI) indicators, standards of measurement and minimum performance, and methods of data collection. Through its various agencies (Statistics Bureau and line agencies), GoI have periodically collected this information. The subnational program should use the existing mechanisms and avoid creating a parallel system of evaluation.

To provide evidence on what the program is contributing to these changes at higher levels the following methods are proposed below.

Various methods would be applied to measure results over times. Results based management system would be established to measure and gather the following information:

- What products and services that Sub-national Program are delivering (outputs).
- As a result of the above products and services, what changes of conditions, behaviour, and institutions are achieved (Outcomes).
- What evidence indicate that the sub-national program have influence over the achievement of such outcomes.

Measuring delivery of products and services would be within the control of sub-national program. It is a straightforward and easy to measure through regular monitoring, establishing performance management system and internal reporting.

Assessing the achievement of outcomes is more challenging and requires more complex methods. Some methods can be *Contribution Analysis, Benefit Cost Analysis, Baseline Assessment, Mid-term and End-line Independent Evaluation* (Process-Outcomes approach in evaluation), or *Outcomes measuring*.

Budget and M&E Plan

A total of 3-5% of budget will be allocated to M&E. Upon finalization of detailed M&E frameworks, an M&E Plan would also be established to complement the existing framework. This plan provides an overview of the M&E arrangements covering the operational elements of the M&E framework. It helps team members systematically identify what analysis is required to obtain results, who will collect the information and by when.

ATTACHMENT E: RISK MATRIX

Risk	level of risk	Mitigating strategies
Loss of cohesion resulting from geographic spread	Moderate	Strong oversight and support from Program Director and AusAID, ensuring effective lines of communication, careful and effective M&E (including rolling evaluations)
Stretched management capacity; model relies heavily on Program Director	Moderate	Recruitment and selection of suitable personnel and ensuring they are adequately resourced
Financial management risks – corruption, lack of transparency, inappropriate use of funds	Moderate	Robust agreed financial systems and audits, monitoring, performance-based payment
Uncertainty regarding future political support by both GOA and GOI (eg PNPM)	Low	Ongoing promotion and engagement with both governments and demonstration of results
Change of leadership at provincial and district level	Moderate	Ongoing relationship building, coordination and institutionalisation of program (ensuring ownership by jointly establishing priorities)