

# I Introduction

This final report documents the achievements and lessons learned from the U.S. Agency for International Development (USAID) Contract Number 497-M-00-05-00017-00 for the Local Governance Support Program (LGSP) in Indonesia, covering the period March 2005 to September 2009.

The contract between USAID and RTI International, the contractor selected to implement the project, was signed March 2, 2005. Partnering in the contract were the following subcontractors: International City/County Management Association (ICMA), Democracy International (DI), Computer Assisted Development Incorporated (CADI), and Indonesian Media Law and Policy Center (IMLPC).

The report first presents an overview of the project's inception, a review of the objectives, and a chronological review of its evolution through its 4½ years of implementation. Following this introductory chapter, Chapters 2–6 cover the achievements in the five principal technical areas in which LGSP worked: planning, finance and budget, public service management, legislative strengthening, and civil society strengthening. In each chapter, the institutional environment affecting the relevant technical area at the beginning of the project is described, followed by a description of LGSP's design approach, an analysis of significant outcomes of LGSP interventions, and conclusions in terms of sustainability, lessons learned, and recommendations.

Chapter 7 covers four cross-cutting areas of the program, namely the participatory approach to training, performance monitoring and evaluation, development of service providers, and communications and knowledge sharing. Chapter 8 on regional variations revisits some of the regional performance indicators presented separately for each technical area in earlier chapters, to discern any regional trends in project outcomes and provide other regional perspectives. The final chapter (9) presents overarching achievements, challenges, and lessons that were drawn from LGSP's experience in fostering good local governance in Indonesia and that may be applicable to similar efforts in other countries.

## **Project Objectives**

The USAID/Indonesia Local Governance Support Program implemented by RTI International directly supported “**expanding participatory, effective, and accountable governance**,” as described in USAID's Strategic Objectives Grant Agreement (SOAG) with the Government of Indonesia dated July 11, 2005. Through the introduction of participatory processes, improved local government (LG) management, and transparent and accountable local legislative practices, it was expected that Indonesians could fully experience the benefits of democratic governance.

LGSP was an integrated set of assistance activities designed to support both sides of the good governance equation—namely supply of *and* demand for good governance. Its objectives were therefore twofold. First, it supported local government to become more democratic, more competent at the core task of governance, and more capable of supporting improved service

delivery and management of resources. Second, it aimed to strengthen the capacity of local legislatures and civil society to perform their legitimate roles of legislative representation and oversight, and citizen participation in the decision-making process.

## ***Indonesia's Governance Environment at Inception of LGSP***

Indonesia's decentralization initiative enacted in 1999 and launched in January 2001 fundamentally altered the country's system of governance, shifting power and resources from the center to the regions. Two laws (Law 22/1999 and Law 25/1999) rapidly transferred substantial responsibilities to cities (*kota*) and districts (*kabupaten*). On January 1, 2001, approximately 2 million employees, almost two-thirds of the central government workforce, were transferred to local governments. Local governments assumed responsibility for management and delivery of 11 key services and, by default, any residual responsibilities not explicitly covered in these laws, as further defined in 2004 by Law 32/2004 and Law 33/2004 (Chapter 2 contains more information about these laws and their effects).

Contrary to concerns of a nationwide breakdown of government functions, the transfer of authority was relatively successful and a positive step toward solidifying Indonesia's democracy. The reform provided the platform for democratically elected local councils to hold local administrators accountable and for communities and nongovernmental organizations (NGOs) to access greater opportunities to participate in local government decision-making.

Although significant progress had been made with implementation of decentralization through 2005—assisted by the successful USAID-funded programs Performance-Oriented Regional Management (PERFORM), led by RTI; and Building Institutions for Good Governance (BIGG), led by ICMA—local governments and other local-level democratic institutions were still weak and in need of capacity development, particularly in the areas of planning, budgeting, and management expertise. Newly elected local councils had particularly weak capacity and were frequently characterized by corruption and abuse of power. Civil society organizations had begun to emerge at the local level following the creation of a legal framework for civic engagement but were still shaking off a history of distrust of government. These still-fragile institutions operated in an environment of incomplete administrative and regulatory reform, absence of devolution of tax authority, conflicting legislation, and poorly defined articulation of authority between levels of government.

## ***USAID Design Approach***

The contract directed LGSP to focus on the district level, as it was expected that most national-level policy work in decentralization would be undertaken in a separate program (the Democratic Reform Support Program [DRSP], under design at the time). Field experience from LGSP, however, was expected to inform decentralization policy aspects of DRSP. In addition, the contract noted that the previous USAID strategy had had a significant portfolio of programs aimed at strengthening local government management and service delivery. In a change of

course under the prospective 2005–2009 strategy, these service-delivery-focused programs were “spun off and expanded under the Mission’s Education and Basic Human Services SO [Strategic Objective] programs.... [LGSP was to focus on] strengthening the core governance processes such as budgeting and participatory planning...to be incorporated into the new Democratic and Decentralized Governance SO, where LGSP would serve as the ‘flagship’ activity for DDG [Democratic and Decentralized Governance] local governance technical assistance incorporating these issues.”<sup>1</sup>

The contract further stipulated that LGSP provide a “menu” of assistance to:

- Enable administrations to engage citizens in planning and strategic decision-making
- Strengthen the local legislative process
- Link planning, budgeting, and service delivery in a performance-based management system
- Increase the role of citizens in decision-making
- Strengthen communications between local government and citizens.

In addition to, or in support of, assistance in these areas, the contract included project components to:

- Assess the strengths and weaknesses of local governance
- Strengthen local media
- Support local leadership elections
- Establish a local government data bank.

## ***LGSP Design Response***

### **Program Areas**

To respond to the objectives and scope of the contract, the project work program and staffing were structured for implementation of a program under the following main objectives and associated program areas:

#### **(i) *Strengthening the core competencies of local administrations***

- Enhancing ***strategic and participatory planning*** to facilitate citizen input into local government resource allocation decisions, with particular focus on improved multiyear and annual local development plans

- Improving the **finance, budgeting, and accounting** function of local governments, through development of performance budgets based on public consultation and realistic resource allocations with measurable outcomes to achieve community priorities; timely and accurate financial and performance reporting; and improved stewardship of public assets
- Strengthening **management systems for service delivery**, including creating minimum performance standards for core functions, strengthening procurement and service contracting, and improving the environment for local economic development

**(ii) Strengthening democratic governance at local level**

- Improving the capacity and performance of local **legislative councils** (*Dewan Perwakilan Rakyat Daerah, or DPRD*) to perform their functions of oversight of local administrations, representation of citizens' interests, and development of sound policies and legislation
- Strengthening the capacity of **civil society and the media** to reflect the priority needs of citizens vis-à-vis local administrations and legislatures

**(iii) Cross-cutting areas to enhance good governance in the areas of performance assessment and participatory training approaches**

## Financial and Geographic Scope

The original contract amount was \$57.1 million. In September 2005 the contract was amended, and the contract ceiling raised to \$61.8 million, to provide support to five districts devastated by the December 2004 tsunami in Aceh province, as well as for elections work in Aceh. In 2006 USAID and BP Berau Ltd entered into an agreement to jointly undertake a 36-month “Bird’s Head Governance Initiative” in five districts of West Papua; BP Berau contributed \$1.5 million for the initiative, with LGSP providing a matching amount of \$1.5 million (to be financed within the existing contract ceiling).

With these additional districts added to the project’s geographic scope, LGSP’s assistance over the period 2005–2009 ultimately reached 62 district governments in nine provinces<sup>2</sup>: Aceh, North Sumatra, West Sumatra, Banten, West Java, Central Java, East Java, South Sulawesi, and the Bird’s Head region of West Papua. In addition, varying levels of assistance were provided to seven provincial governments, for a total of 69 subnational governments supported by LGSP.<sup>3</sup> With programs in two regions phased out in 2007 and discontinued in one additional district, the final number of targeted district governments benefitting from USAID funding for the final two years of the project was 45.

Based on the success achieved in LGSP’s work in Aceh, RTI International received a grant of \$2.5 million in September 2007 from the Multi Donor Fund for Aceh and Nias to expand LGSP activities into six districts in eastern Aceh under the auspices of the Support for Poor and Disadvantaged Areas (SPADA) project. The total number of jurisdictions in which LGSP

undertook interventions of some nature during the period 2005–2009 therefore reached 76. Annex A provides a map of Indonesia showing the districts in which LGSP worked and Annex B provides a list of partner districts with further information on service improvement areas and other USAID projects operating in the same jurisdiction.

## **LGSP Management Framework and Roles**

In addition to a chief of party and field operations advisor, LGSP’s national office in Jakarta retained technical advisors and specialist staff in the core professional fields of planning; finance and budget; management systems; legislative, civil society, and media strengthening (one in each of the three specialties); performance measurement; and participatory training, along with administrative/finance staff and specialists in communications and publications. Financial and administrative transactions were facilitated by the Indonesia regional office of RTI International. Regional activities were carried out by specialists in professions mirroring those at the national level, based in eight provincial offices, each under the leadership of a regional coordinator. District coordinators were placed in most of the districts to provide continuity of dialogue with local partners. The LGSP organization chart is provided in Annex C.

The roles of the national office specialist staff were to develop technical and training materials, work with national government counterparts, identify service providers (SPs) for technical assistance, test experimental programs, and provide advice and technical oversight of program delivery at regional or district levels. The regional staff were the key interlocutors with local governments, councils, and civil society organizations (CSOs) for development and delivery of work plans. (See “2005–2006: LGSP Rollout” below for a further description of how LGSP delivered the program.)

The sections that follow provide highlights of LGSP’s implementation during 2005–2009, focusing on those that fall outside the accomplishments in the specific thematic areas that are covered in subsequent chapters. The chronological review provides a perspective on the overall evolution of priorities and challenges confronting LGSP in the course of implementation. Since LGSP’s work plan was developed on the basis of the USAID fiscal year, reference to specific years below refers by and large to the fiscal year (FY), but accurately conveys trends and achievements for the calendar year as well.

## **2005–2006: LGSP Rollout**

The first 18 months of project implementation were devoted to staff recruitment and establishment of seven offices, and a heavy work program of assessment and launching of a large volume of technical assistance. The project design attached high importance to undertaking extensive local governance diagnostics at project inception to identify partner districts to be included in the program as well as to determine priorities for assistance content. (See the section of Chapter 7 on performance monitoring and local governance benchmarking for further details.) The final decision on site selection was taken by USAID, on the basis of consultation with LGSP and Government of Indonesia (GOI) staff. In the first selection round in

mid-2005, 25 local governments were identified, plus an additional five districts in Aceh. In a second round in early 2006, 27 local governments were selected, this time to target districts in which other USAID sector programs were located, to increase prospects for synergies among projects, for a total of 57 districts undertaking programs in a staggered time frame.

Project start-up consisted of undertaking “road shows” to brief local partners on a menu of possible assistance under LGSP, followed by a district prioritization workshop to identify up to two areas where service improvement action plans (SIAPs<sup>4</sup>) would be developed and implemented by multi-stakeholder groups. On the basis of priorities for capacity development and SIAPs, the partners articulated a district work plan that highlighted activities and associated costs. These were appended to memoranda of understanding signed between district governments and LGSP describing commitments and financial contributions; as an indication of their commitment, local governments contributed directly and indirectly to the costs of implementing the work plans, sometimes more than 50% of the total.<sup>5</sup>

The modus operandi for delivery of LGSP assistance was tailored to needs and priorities of each region, and some technical training was timed to coincide with the district planning and budgeting cycle. It also varied considerably by technical area and changed over time as competencies improved. In participatory planning, LGSP focused early training on briefing partners on the planning documentation and process, training facilitators, and actually facilitating planning processes during the key periods—particularly January–May of the district work plan formulation. The finance and budget work was the most structured, consisting of delivering core training modules to bring district finance staff up to a basic standard of performance in budgeting and accounting. These were also timed to precede the statutory deadlines for districts to complete required budgeting and accounting documents. The SIAP work entailed facilitating multi-stakeholder groups through a problem-solving process, followed by advisory assistance on specific management or technical sector issues entailed in the SIAP. Assistance to councils and CSOs initially required exploratory work to determine which council members or CSOs had the potential and interest to engage in the areas in which LGSP worked, and then to hold workshops to develop skills in areas of expressed interest.

Training or problem-solving workshops facilitated by LGSP staff or service providers were the most common delivery mode, as they provided the most efficient means of delivering training, and were also conducive to building trust and constructive working relationships among stakeholders for those activities requiring consensus building. As competencies and confidence were built, LGSP added advanced topical workshops and more diverse interventions, including cross-district or cross-regional workshops, exchanges, clinics, one-on-one briefings on technical topics, monitoring of application of new tools, and development of various feedback loops to build a body of lessons learned and refine the materials. Subsequent interventions also brought district-level stakeholders from different offices together for joint training and strengthened linkages on topics of mutual interest—for example, district planning office staff with heads of the district sector agencies on consistency between sector and district plans; finance office staff with councilors on the budget; or councilors with CSOs on measures to strengthen oversight of the executive.

In addition to the program work with districts, described in greater detail in subsequent chapters, during this period LGSP also worked actively to develop and train officials on election

management tools for use in the Aceh district elections held in December 2006; these were subsequently shared with all local governments in Indonesia.

LGSP's successes in 2005 and 2006 were matched by a number of challenges emanating from the new demands on the project to meet changing circumstances and opportunities, as well as to respond to the lessons of experience. In reviewing the first year's experience of LGSP and emerging opportunities, RTI and USAID agreed midway through FY06 that the program could achieve a wider national impact at both local and national levels by modifying the rollout and timetable of planned activities. Recent changes in the national policy environment (for example, the passage of Law 32/2004 on Regional Governance) made it necessary for LGSP to engage more effectively at the national level, particularly in the preparation of decentralization-related government regulations and guidelines. Finally, some of the tools and practices being developed and tested in LGSP's 57 target local governments showed promise of being "taken to scale" earlier than originally planned—i.e., widely disseminated through several mechanisms that might not require as intensive LGSP technical assistance at the local government level as the program had been providing to target jurisdictions. USAID and LGSP management therefore concluded that a number of adjustments would be made in the scope of LGSP.

## ***2007: Refocusing for Greater Impact***

2007 was in many respects a transitional year for LGSP. First, the scope of LGSP was modified to increase its impact at the national level, following the discussions cited above with USAID in mid-2006. Specifically, instead of taking on a third round of 40 LGs with which LGSP would work, to reach a total of about 100 LGs as envisaged in the original project scope, it was agreed that LGSP would continue working with the 57 LGs with which it was currently working, while channeling more project resources to work at the national level. Essentially, the goal was to remain responsive to local priorities while supporting systematic and scaled-up efforts to **strengthen the enabling environment for effective decentralization**, including greater engagement with national partners—national government and other multilateral efforts—in response to national priorities.

Second, USAID and LGSP concluded that the project required financial refocusing in FY07. First, USAID requested LGSP to increase the use of core funding not only for national-level work, but also for work in two new regions, namely Aceh and Bird's Head (West Papua).<sup>6</sup> This necessitated phasing out LGSP in two existing regions—West Sumatra and West Java/Banten—in the course of 2007. Second, the rapid expansion of program activities in response to very strong demand was recognized as unsustainable, requiring the scaling back of the level of program expenditures in the remaining regional programs. And finally, information received in January 2007 on the reduction in USAID funding levels to be available for FY08 expenditures required further belt-tightening during the year in order to have a viable staffing and expenditure position going into FY08.

As a result, 2007 work plans with all LGs had to be reformulated; and phaseout plans for West Sumatra and West Java, the two offices to be closed (in June and September 2007 respectively) were established. In addition, financial considerations required that the project phase out the

media strengthening program and staffing in April 2007, including the September 2007 completion of contracted media and law work with IMLPC.

Nevertheless, there were very positive developments in the two regions in which LGSP was asked either to begin work (Bird's Head) or to refocus the nature of the intervention (Aceh). In the latter, the program orientation moved increasingly from a "recovery initiative"—the original title of the Aceh program—to one of more broad-based good governance in the decentralized governance efforts in the province. In fact, LGSP attracted additional funding of \$2.5 million from the Multi Donor Fund for Aceh and Nias for work in collaboration with SPADA in Aceh, beginning in early FY08. And in Bird's Head, while getting off to a later-than-expected start due to logistical challenges as well as the need to further clarify the status of donor agencies working in the region, the West Papua Regional Office was largely fully staffed by early April 2007 and began its program activities in mid-2007.

In addition, the National Development Planning Agency (*Bappenas*) and other national partners welcomed the increased emphasis on assistance to GOI, and collaboration expanded significantly with several departments within the Ministry of Home Affairs (MOHA), described in thematic chapters that follow. LGSP also witnessed greater participation of GOI officials in national and regional workshops organized by LGSP, which strengthened the linkages between national and regional players in the decentralization process. A *Bappenas* evaluation of LGSP released in early 2007 generally spoke highly of the program.

## **2008: Consolidation in Pursuit of Sustainability**

LGSP's overarching objective for FY08 was: **consolidation in pursuit of sustainability**. As the embarkation on the second half of the project's 2005–2009 implementation period, the year was pivotal for creating the conditions, services, and products to help ensure the program's sustainability. With LGSP having developed the trust of its partner local jurisdictions as well as a repertoire of practice, training modules, and capacity-building approaches after 2½ years of implementation, it was imperative to capture and refine the best of these with a view to wider dissemination and institutionalization, so that LGSP would be prepared to move toward a sustainability phase in the last year of the project. The project's focus remained on fostering good local governance in the areas in which LGSP had the greatest expertise and experience—namely at the intersection of good practice and policy.

The **programs in the regions** aimed to provide more targeted technical assistance and clinics, following an emphasis in preceding years on district-level training workshops. LGSP-supported initiatives also sought—and achieved—more integration across program areas, as well as more extensive learning across districts once experience had been gained and innovations developed by local partners eager to share them. A number of workshops and conferences across themes and districts worked to develop formal and informal coalitions and networks; examples include a successful workshop for 15 jurisdictions undertaking service improvements for small and medium enterprises; a workshop to build DPRD—citizen coalitions for more innovative DPRD practices; a national conference on citizen engagement and participatory governance to improve public service delivery; and development of a province-district communications forum of finance

officials in Aceh to strengthen intergovernmental linkages between the two tiers of government.

LGSP organized<sup>7</sup> a study tour of district managers and mayors from LGSP-supported districts to the ICMA annual conference and neighboring cities in the state of Pennsylvania, USA, which energized these reform-minded mayors to carry through further innovations in their home districts thereafter.<sup>8</sup>

LGSP also extended several **province-level programs** during the year. Implementation of small provincial programs for West Sumatra and West Java extended LGSP achievements in those provinces following the close of district-supported LGSP programs the previous year. In Aceh, at USAID's request, LGSP instituted collaboration with the provincial government by placing two planning and finance specialists in the planning/finance service office. And in West Papua, where LGSP began implementing the USAID-BP Berau Ltd Bird's Head Governance Initiative in FY07, discussions were launched to assist the provincial government, and the program was expanded from three to five districts. Some limited provincial-level activities were also initiated in South Sulawesi, East Java, and Central Java.

At the **national level**, progress was made in consolidating accomplishments in assistance to national partners to further strengthen the enabling environment for effective decentralization, which had been added to LGSP's Intermediate Results (IR) objectives in FY07. In addition, LGSP documented good practice and experience gained in a number of areas and finalized a wide range of training materials and technical publications during the year. Finally, the program continued to collaborate with other USAID programs (notably the Health Services Program [HSP] on health planning) and other donors, placing a full-time advisor in the Decentralization Support Facility (DSF), as well as with a wide range of institutions—associations and universities included—to disseminate its practices and materials.

## **2009: Project Completion—Making a Difference**

Moving into its final year of implementation, priority moved from consolidation of actions that supported these objectives, to targeted measures that would best ensure sustainability of project initiatives. The project's overarching theme—and objective—for FY09 was therefore **making a difference**. The guiding principle in 2009 was to identify those activities which carried the greatest prospect of sustainability, and to prioritize actions which offered some hallmarks or “indicators of continuity” following the close of LGSP. This included “marketing” replicable products—materials and approaches—already produced by LGSP, and addressing gaps and remaining weaknesses in practices and materials developed and tested to date that were amenable to completing within the remaining time period. Despite the measurement challenges inherent in governance programs, the project also sought to systematically measure and assess LGSP's impact.

At the regional level, in addition to completion of work plans, end-of-program assessments were carried out in all districts during the first quarter of 2009, comparing findings with diagnostics undertaken at project inception, and soliciting information from partners on their

perceptions of changes over the project period. The findings were presented at district closeout workshops held in 51 districts. These workshops were a critical part of the overall strategy for ending the LGSP program of assistance to partner districts, as they included a review of their accomplishments and challenges, and the establishment of a district action plan for sustaining the activities and progress achieved under the program. These workshops were followed by regional closeout workshops in all six regions to highlight progress achieved with key stakeholders from each district. This process was well received and should be an enduring contributor to increased technical capacity, better interaction between stakeholders, and other outcomes related to LGSP's work with local governments.

All regions completed their program reporting by finalizing district reports, which included the end-of-project assessments, results of the district closeout workshops, and action plans. A final regional report was prepared to summarize the accomplishments of LGSP in each region.

LGSP completed its programmatic work with a concurrent set of national thematic workshops to bring together key partners and service providers to share the final technical and training materials developed by LGSP, finalize lessons learned during project implementation to strengthen prospects for sustainability, and assist service providers working in the area of governance to strengthen their capacity to provide freestanding services to local governments and to create networks of practitioners. A series of closeout meetings and seminars was held to brief the GOI, USAID, and other donors on the conclusions and lessons learned from LGSP.

To ensure continued access to the library of LGSP materials (169 publications consisting of technical publications, training manuals, and program reports and newsletters), LGSP's website [www.lgsp.or.id](http://www.lgsp.or.id) will remain active until September 2010; in addition, the Decentralization Support Facility plans to upload LGSP's technical and training materials to its site [www.dsfindonesia.org](http://www.dsfindonesia.org). In the final quarter of LGSP, the LGSP website received 110,000 hits and recorded almost 40,000 document downloads.

LGSP adhered to the demobilization plan established at the beginning of the year for phased completion of staff contracts, asset disposition, and closing of regional offices and the national office—a formidable task for a project the size of LGSP. USAID agreed to a one-month no-cost extension, to October 30, 2009, for a limited number of staff, to permit preparation of a final report and quarterly reports; finalization of the Bird's Head report; completion of other reporting tasks; website consolidation; and handling of final financial, administrative, and asset disposition matters.

## Endnotes to Chapter I

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- <sup>1</sup> USAID Contract No. 497-M-00-05-00017-00, p. 6.
- <sup>2</sup> LGSP undertook critical diagnostic work in Nias, North Sumatra, but did not pursue further technical support in the district.
- <sup>3</sup> Annex B contains a full list of LGSP partner jurisdictions.
- <sup>4</sup> *Skema Tindakan Peningkatan Pelayanan (STPP)* in Indonesian.
- <sup>5</sup> At the request of the Ministry of Home Affairs, memoranda of understanding were not signed with second-round partner districts because agreements between subnational governments and foreign entities providing official development assistance were deemed to violate GOI law.
- <sup>6</sup> Aceh's special funding covered only a two-year period, finishing in mid-2007.
- <sup>7</sup> ICMA was responsible for organizing the program in the United States, with financial support from the USAID-supported Human Institutional Capacity Development Project.
- <sup>8</sup> For example, the mayor of Gowa district collaborated in 2008 with citizens groups undertaking citizen report cards (CRCs) in his district, and the mayor of FakFak, with LGSP support, publicized the 2009 budget in poster form around the district.

