# THE AUSTRALIA-INDONESIA PARTNERSHIP FOR DECENTRALISATION

Independent Completion Report

August 2015

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## Executive Summary

### Introduction

The Australian Indonesian Partnership for Decentralisation (AIPD), was implemented from December 2010 to June 2015. The program focused on support for the Government of Indonesia (GoI) decentralisation program. The program worked with three central GoI ministries, the Ministry of Home Affairs (MoHa), Ministry of Finance (MoF) and Bappenas. It operated in five provinces (East Java, Nusa Tenggara Barat (NTB), Nusa Tenggara Timur (NTT), Papua, and West Papua), across 20 districts and with a selection of service units, civil society organisations (CSO), universities and communities. It is a complex program with different activities and focus in its various locations.

The program aimed to support the Government of Indonesia in its decentralisation policies through capacity building of public servants at provincial and district level and through improvements to the system of public financial management. In practice the program faced considerable challenges due to internal and external changes. This led to a major restructure of the program in 2013 resulting in a change of focus towards achieving service delivery outcomes.

These and other program changes have made it difficult to undertake a simple assessment for the purposes of this review. The independent completion report has therefore sought to understand actual program achievements and the degree to which these were well targeted and appropriately delivered.

### Program relevance

AIPD builds on wider Australian government support for decentralisation and service delivery in Indonesia. It worked at central government level and with provincial and district governments on current issues related to decentralisation and was effective in its engagement with GoI at all levels. GoI respondents indicated that the program made important and relevant contributions across the five years of its operation.

### Program effectiveness

The review found that AIPD had contributed to a range of important outputs that were likely to provide a good basis for improvements in service delivery, but that given the timeframe, it had not managed to pursue most of these outputs towards substantial outcomes.

Further, the value of outputs and their relationship to likely outcomes varied with context. At the level of Central government, AIPD has been effective in its engagement with the three Central government agencies responsible for decentralisation. These respondents can point to specific contributions by the program relevant to their work, although it is difficult to provide a simple assessment of the long-term and overall value of these achievements.

Looking at the subnational work, where the program focused most attention, it is easier to understand what the program has achieved within the specific context of individual provinces and districts. The experience of the review team in considering two provinces in more detail, suggests that the program was most effective when it used a problem-solving approach based in a good understanding of local context, and working with all stakeholders.

In some contrast when the program worked through a single issue focus such as public financial management, or tried to impose themes and approaches in a top-down manner, it was less successful in achieving sustained outcomes.

AIPD was also meant to serve as a platform for other DFAT supported programs working sub-nationally. While the program did collaborate with some other sector programs, respondents felt that achievements in this area had been insufficient. Yet indications are that increased collaboration with sector programs, thereby bringing together specialist technical expertise with relevant strategies for governance engagement, could lead to substantial and sustained changes at the subnational level.

### Value for money

Retrospective assessment of the program, using the DFAT value for money principles, suggests that it gave adequate attention to economy and ethics, but further consideration was required around elements of efficiency and effectiveness. This suggests that the program has provided insufficient value for money overall. If there was ongoing program work, utilising experience to date and building on established relationships, there would likely an increase on the the value of the return.

### Gender

An important intention of AIPD work was to mainstream gender across all work areas. While activities were undertaken around both specific and mainstreaming strategies, there is limited evidence to suggest that the program has contributed to change in the way sub national government considers gender equality in policy development and program implementation.

### Knowledge management

A key assumption of the original program design was that knowledge about activities to support decentralisation would be an important contribution of AIPD to wider GoI considerations. While there has been activity in this area and some gains, it remains an under developed program strategy. The largest gap in knowledge management seems to be the failure to document the governance processes which were trialled and utilised in the various sites where the program was operational.

### Monitoring and evaluation

Program monitoring and evaluation has not served the program well in terms of communication and program management. This seems to be related to poor development of assessment processes (based solely on indicators), a limited program logic and a failure to undertake baseline study. Alongside this, the capacity development model used by the program to guide implementation and assessment was overly simplistic and did not serve the program well.

### Sustainability

While some program outputs will continue beyond the life of AIPD, most achievements were assessed as still fragile and in need of further support to see them sustained.

### Conclusions

The findings suggest that future programs seeking to support decentralisation and improved governance need to be developed in response to local context which includes attention to previous donor support, lessons learned and a good analysis of the drivers of change and opportunities. While this is far from a new conclusion, it continues to be relevant effective support for governance and in particular decentralisation.

**Recommendation One**

***Future programs that support decentralisation in Indonesia should be assessed for feasibility. The feasibility assessment should give attention to existing research and experience around effective decentralisation support in Indonesia and that related to effective governance programming in complex environments. The proposed program designs need to be tested to assess the likely***

*achievement of outcomes, based on the clear lessons learned from decentralisation and governance research and programming to date.*

Effective work in a local context requires skilled staff who can facilitate rather than simply deliver activities. In particular, the work at community level where tangible outcomes are most likely to be produced, is resource intensive, requiring personnel to engage with communities and broker relationships between them and service providers.

*Recommendation Two*

*Future programs seeking to work in governance and decentralisation in Indonesia need to avail themselves of suitably qualified staff, whether these include DFAT employees or those available through contractors. The staff need to have core skills in change management, facilitation, cultural and social analysis and relationship building.*

Future programs to support decentralisation and service delivery need to set objectives that match the time available for program implementation and the resources available for investment.

*Recommendation Three*

*DFAT should consider its rationale and aim for ongoing engagement in decentralisation in Indonesia. While decentralisation is an important process through which to influence service delivery it is a long term endeavour. Comprehensive outcomes are likely to take considerable time and will require investment across several levels of engagement (from National through to community). More focused investments will make a contribution but will not produce simple attributable and sustained results. DFAT needs to be clear about its intentions for decentralised engagement and the results it would consider worthwhile for the investment made.*

Future programs should mimic the AIPD program approach in working across various levels of government and community, but in a more balanced way, giving attention equally to demand and supply-side interaction. For Indonesia specifically, this should be accompanied by ongoing analysis to understand how this interaction will change with the changing legislation, responsibilities and funding being introduced for village governments. A strong focus on brokering and leveraging change by understanding the interaction of different levels of government and government interaction with community and citizens is likely to be an effective approach to maximising outcomes.

*Recommendation Four*

*Future programs ought to be accompanied from the point of initial concept development, by a detailed program theory of change, that examines the way in which decentralised government and service delivery in Indonesia is currently changing and the way in which a donor can most effectively engage with this dynamic and diverse situation. The theory of change will necessarily be iterative, being further developed throughout the life of the program and utilised as a basis for regular testing of assumptions and assessment of program progress.*

AIPD experience suggests that knowledge management should not solely be the responsibility of a small unit within a large program, but should be the business of the whole of the program. It requires a system whereby regular attention is given to staff reflection and analysis together with reflection from key stakeholders. Resources should be assigned to ensure this information is systematically recorded and then collated and communicated in forms for wider use. This should

include use in the program itself, by other actors in decentralisation including government, other sectoral programs and beyond.

### Recommendation Five

***Future program designs ought to specify strategies and resources for management of knowledge alongside requirements for research production and for standard monitoring and evaluation procedures.***

There is much already known about how to develop good quality monitoring and evaluation in complex change situations. Effective M&E systems accompanying support for decentralisation will need to operate at several levels, giving attention to activity at community \village levels, subnational government and other stakeholders and then program wide. The relationship between those levels will not be one where results can simply be aggregated against broad indicators. Rather, the approach will require assessment ***adjusted to the context and intent at different levels***, using a sophisticated program theory of change to identify the relationships and interactions between these levels and how these in turn need to be assessed and tested over time.

The processes of data collection will sit within a complex performance framework based on a mixture of monitoring data, real-time evaluation and some ongoing research, bought together through sophisticated processes of analysis.

### Recommendation Six

***Future programs to support decentralisation should be underpinned by a performance approach which draws from existing research and knowledge about how to assess change in complex program environments. This is likely to require a multi-level performance framework that uses a mixed methods approach and a strong framework for high quality analysis. It will be supported by a detailed program analysis which acknowledges the complex operating environment and allows for an iterative assessment approach.***

Effective responses to decentralisation are likely to be achieved through collaboration between programs focused on governance as well as those with specialist sectoral expertise. Lessons from AIPD experience suggests that this collaboration is more likely to be achieved through the following conditions:

- Clear identification of outcomes to be achieved through program collaboration
- DFAT mandated requirements for implementing contractors to achieve those identified outcomes (linked to performance incentives and penalties)
- DFAT program management support for resourcing and opportunity for programs to meet and plan collaborative action
- A flexible focus which identifies the comparative advantage of particular programs in different locations and seeks to utilise the leadership of the most well positioned program to support a platform of work.

### Recommendation Seven

***There is considerable merit in including collaborative program arrangements in future programs focused on improved service delivery in a decentralised context. This is likely to draw together both sector and governance programs in any given location to achieve shared outcomes. Program leadership should be delegated according to best fit in the context and the overall intent of the***

***collaboration. Performance incentives and penalties need to be included in any contractual support provided for programs to ensure outcomes are achieved.***

Future support for bureaucratic reform should include engagement at the Central levels of government to ensure good quality policy, legislation and regulations and work at provincial and district levels in order to influence change in practice. With the new village law being introduced the engagement down to community level also seems to be a necessary step.

The lessons from AIPD suggest that a flexible and responsive approach is useful but that this must be utilised within an informed political understanding of the potential and opportunities for change. Further, good quality technical inputs are valued by the Government of Indonesia and contribute to improved systems but will not by themselves lead to reform of the systems. There is a need to be able to work an informed way to both introduce new ways of thinking and adapt local ways of operating. This requires future programming to be nimble and able to be adjusted to the opportunities and needs within differing contexts.

### *Recommendation Eight*

***Future programming to support bureaucratic reform needs to avoid top down and single focus approaches. Future programming will need to draw from a range of strategies and combine this with high-quality and skilled program implementation staff or partners who have good understanding of the influences of culture, politics and context upon change processes.***

# Contents

## Acronyms

| | |
|---|---|
| ACCESS | Australian Community Development and Civil Society Strengthening Scheme |
| ACR | Activity Completion Report |
| AIPD | Australia Indonesia Partnership for Decentralisation |
| AIPEG | Australia Indonesia Partnership for Economic Governance |
| Anforjab | *Analisis Formasi Jabatan* (Analysis on Governmental Office Formation) |
| ANTARA | Australia Nusa Tenggara Assistance for Regional Autonomy |
| APBD | Provincial/District Development Budget—*Anggaran Pendapatan dan Belanja Daerah* |
| BAKTI | *Bursa Pengetahuan Kawasan Timur Indonesia* or Eastern Indonesia Knowledge Exchange |
| Bappeda | *Badan Perencanaan Pembangunan Daerah* or Regional Development Planning Agency |
| Bappenas | *Badan Perencanaan Pembangunan Nasional* or National Development Planning Agency |
| BPKAD | *Badan Pengelola Keuangan dan Aset Daerah* (Local Government Office for Finance and Asset Management) |
| BPMPK | *Badan Pemberdayaan Masyarakat dan Pemerintahan Kampung* (Government Office of Community and Village Governance Empowerment) |
| CSO | Civil Society Organisation |
| DAK | Special Allocation Funds—*Dana Alokasi Khusus* |
| DAU | General Allocation Funds—*Dana Alokasi Umum* |
| DJPK | Directorate General of Fiscal Balance—*Direktorat Jenderal Perimbangan Keuangan* |
| DFAT | Department of Foreign Affairs and Trade |
| DJPK | *Direktorat Jenderal Perimbangan Keuangan* (General Directorate of Fiscal Balance) |
| DPOD | *Dewan Pertimbangan Otonomi Daerah* (Advisory Board of Decentralisation) |
| GAP | Gender Analysis Pathway |
| GBS | Gender Budget Statement |
| GIZ | Deutsche Gesellschaft für Internationale Zusammenarbeit, German Federal Enterprise for International Cooperation |
| GoA | Government of Australia |
| GoI | Government of Indonesia |
| FoI | Freedom of information |
| HIV-AIDS | Human Immunodeficiency Virus - Acquired Immunodeficiency Syndrome |
| ICR | Independent Completion Report |
| IP | Implementing Partner |
| KEUDA | *Pusat Kajian Ekonomi dan Keuangan Daerah* (Research Center on Economics and Regional Finance) |
| KIPD | *Komisi Informasi Publik Daerah* (Regional Commission on Public Information) |
| LANDASAN | Improving Education and Health Services (*Perbaikan Pelayanan Pendidikan dan Kesehatan*) |
| LPPM Brawijaya | Universitas Brawijaya |
| LOGICA | Local Governance and Infrastructure for Communities in Aceh |
| M&E | Monitoring and Evaluation |
| MoF | Ministry of Finance |
| MoHa | Ministry of Home Affairs |
| MSS | Minimum Service Standard |

| NTB | Nusa Tenggara Barat (West Nusa Tenggara) |
| NTT | Nusa Tenggara Timur (East Nusa Tenggara) |
| PEA | Public Expenditure Analysis |
| PERA | Public Expenditure and Revenue Analysis |
| Perda | Local Regulation (*Peraturan Daerah*) |
| Perdasus | *Peraturan Daerah Mengenai Otonomi Khusus* (Local Regulation on Special Autonomy) |
| Pergub | Gubernatorial Regulation (*Peraturan Gubernur*) |
| PFM | Public Finance Management |
| SAIK | *Sistem Administrasi dan Informasi Kampung* (Village Administration and Information System) |
| SIKD | *Sistem Informasi Keuangan Daerah* (Regional Finance Management Information System) |
| SIMTRADA | *Sistem Informasi dan Monitoring Transfer ke Daerah* (Information and Monitoring System on Regional Fiscal Transfer) |
| SIP-PPID | *Sistem Informasi Publik Pejabat Pengelola Informasi dan Dokumentasi* (Public Information System - Government Official Managing Public Information and Documentation) |
| SKPD | *Satuan Kerja Perangkat Daerah* (Local Government Working Unit) |
| TADF | *Tim Asistensi Desentralisasi Fiskal* (Team of Technical Assistance on Fiscal Decentralisation) |
| UNCEN | Universitas Cendrawasih |
| WDP | *Qualified Audit Opinion (Wajar Dengan Pengecualian)* |
| WTP | *Unqualified Audit Opinion (Wajar Tanpa Pengecualian)* |

## Introduction

The Australian Indonesian Partnership for Decentralisation (AIPD), funded by the Australian Government through the Department of Foreign Affairs and Trade (DFAT) was implemented from December 2010 to June 2015. The program focused on support for the Government of Indonesia (GoI) decentralisation program.

AIPD built on the experience of the Australia Nusa Tenggara Assistance for Regional Autonomy' (ANTARA) program. Its central premise was the need for improved public financial management in order to increase resourcing for service provision at the level of district and subdistrict. The original program has been subject to several internal changes as well as considerable changes in the external operating context. After a significant restructure in 2013 the program shifted to a more deliberate focus on improved service delivery, accompanied by several changes in program implementation and management arrangements.

The program has worked with three central GoI ministries, the Ministry of Home Affairs (MoHa), Ministry of Finance (MoF) and Bappenas. It has worked in five provinces, across 20 districts and with a selection of service units, civil society organisations (CSO), universities and communities. It is a complex program with different activities and focus in its various locations.

As the program comes to a conclusion, DFAT commissioned an independent completion report (ICR) on the program performance. This assessment was undertaken by a two person team, across March to June. This document reports on that final program assessment.

## Methodology

### *Purpose and objectives*

The terms of reference for the ICR outlined the following purpose:

> To provide information for DFAT and main stakeholders on:

a. AIPD key contributions towards improving the allocation and management of resources for better delivery of the basic services in the targeted locations;
b. AIPD's effectiveness and efficiency in working within a widespread geographical locations, including in performing its role as the sub-national platform;
c. Lessons learned related to AIPD accomplishment and/or contributions (or lack thereof) that are relevant for design of the new DFAT investment in decentralisation program.

The terms of reference also direct the ICR to give attention to implications for future programming, in particular:

i.   Strategic issues and areas of focus for future support in decentralisation;
ii.  Appropriate governance arrangement that may be relevant to the future decentralisation program;
iii. Opportunities to streamline and/or implement bureaucratic reform issues within the new program.

### *Data collection and analysis*

In response to the terms of reference a detailed review plan was established to guide the ICR (see Annex One).

The ICR was undertaken in two parts. This included an in-country mission in March 2015 and a second field visit in June 2015 to 2 provinces, NTB and Papua. Data collection revolved around review of existing documentation, interviews with stakeholders at Central, provincial, district and community levels (see Annex Two) and expert analysis of governance and public financial management inputs and outcomes.

In line with the recommendations in the review plan, the ICR team comprised two people: a consultant with expertise in sub-national governance and program management and another consultant with expertise in public financial management.

### Focus
The focus on the assessment was deliberately high level. Considerable documentation already exists outlining program activities and outputs.[1] *The question for the ICR therefore, was what AIPD had achieved within the context and challenge of decentralisation in Indonesia?*

## Program history
The AIPD Delivery Strategy (2010-15) aimed to provide a support mechanism for the GoI to implement its own decentralisation policies. The original strategy was based on a set of assumptions that proposed assistance was needed to better implement existing legislation and regulations. Attention was given to capacity of public servants at provincial and district level and to the system of public financial management, in particular planning and budgeting.

The original Delivery Strategy noted however, that service delivery was a political process and could not be achieved by technical support alone. It proposed that wide engagement with various stakeholders would be necessary, building both the demand and supply side of service delivery. In this way it followed the lead of other DFAT programs supporting decentralisation.[2] The additional component in AIPD was a focus on brokering and bridging the supply and demand interventions to ensure they complemented each other towards achieving service delivery. It explicitly sought to avoid heavy reliance on technical assistance and instead proposed implementation would be through partners and local actors. It also proposed to engage at Central level to ensure the lessons and knowledge generated in the decentralised work were available to further influence policy development. A knowledge management component was included to assist with information exchange and learning.

In practice, it appears the program faced considerable challenges in implementing this approach. There were several delays in program approval and mobilisation which undermined the initial focus and incentives.[3] Many implementing partners failed to achieve the change being sought, leaving gaps in essential areas of operation. Relationships with central government agencies took a long time to establish.[4] The model for capacity development utilised by the program did not match the

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[1] See Cardno Emerging Markets (2015) "Activity Completion Report. Australia Indonesia Partnership for Decentralization (AIPD)", June 12.

[2] These include Local Governance and Infrastructure for Communities in Aceh (LOGICA) and Australian Community Development and Civil Society Strengthening Scheme (ACCESS)

[3] Commencing in 2011, the program set about establishing itself across the provinces. However in November 2011 the Ministry of Finance stipulated new regulations on aid registration that changed aid reporting and delayed activities. By August 2012 very few activities had been undertaken. From September to December 2012 activities were mobilised and these continue to run until mid-2013. In September 2013 a new program director was introduced and the whole of AIPD was restructured with new staff and a new focus.

[4] The program location, with senior staff based outside Jakarta seems to have contributed to this slow engagement.

complexity of the context, leading to inadequate management of implementing partners and a poorly conceived monitoring and evaluation (M&E) framework. In addition there were changes in the Indonesian government legislation and interest[5] and the Australian government aid policy[6] over the life of the program. As a result the program was still focused on activities and outputs by mid-2013, and there was a view that progress to that date was insufficient.

In response to these many challenges, a major restructure of the program was undertaken in 2013.[7] This shifted the program attention from improvement of public financial management and other systems, to a focus on service delivery outcomes. In line with this, the program gave greater attention to working with central Indonesian Government agencies to support reforms that would contribute to improved service delivery. At the subnational level, the program widened its focus to consider blockages in the service delivery chain and how these could be addressed through various interventions. The program team in each province was expected to develop its own results chain and approach to service delivery improvement.

Other changes were also made at this time including a movement away from working through implementing partners.[8] Some relationships remained, with some CSO and universities, but otherwise the program took a more direct role in activity implementation.

Altogether this history has created two significant problems for AIPD implementation and this review. In essence the program has had two implementation phases (2011-13 and 2014-2015) and neither have been able to run for an adequate period of time. The program has therefore struggled to identify a clear set of outcomes, particularly as these relate to the original targets.

In addition, the program intention has shifted over time. According to respondents involved since the beginning of the program, the very early intention was to extend Australian government support for the decentralisation process in Indonesia. The intention was to engage and support the decentralisation process, alongside a somewhat open-ended set of expectations about what could be achieved. Throughout program documentation since that time, the objective of the program has

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[5] Over the life of this program the Indonesian Government has introduced a number of new laws and given greater attention to more effective processes and approaches to decentralization. These include a new bureaucratic reform law [LAW NO 5/2014], accelerated reforms for the fiscal transfer system, and a new national health insurance scheme [LAW No 25/2011]. Recently the Government has also issued a new village law which has significant implications for fiscal transfer, service delivery and governance at the subnational level [LAW No 6/2014].

[6] The Australian Government aid approach in Indonesia has shifted throughout the life of this program. A significant aspect has been a much greater focus on service delivery and support for the implementation of front line services. This is in line with Government of Indonesia focus and aligns well with the results focus now characterising the broader Australian aid program, it was not the clear focus at the beginning of AIPD however.

[7] For full details of this restructure and the rationale for the changes see
AIPD (2014) "Realigning for Impact. Documenting AIPD's strategic changes June 2013 – June 2014"

[8] From the beginning of the program there was some confusion over the use of implementing partners. There was an intention to use universities, civil society organisations and NGOs to provide services as well as support them with capacity development to enable them to further contribute to demand for service delivery. In practice the programme reports that little was provided around capacity development and the focus was mainly on implementing partners delivering services. By the beginning of 2014 there was increased concern about the limited results from many partners. This was leading, in many locations, to the program filling gaps with consultants and staff, which was neither cost efficient nor in line with program intentions. As a result of an internal review, there was a shift away from using partners to implement the program from this point, although the program continue to work with three major partners. These included the Eastern Indonesia Knowledge Exchange (BaKTI), Universitas Cendrawasih (UNCEN) and Universitas Brawijaya (LPPM Brawijaya).

been described as improvement to PFM (in order to increase resource flows for service delivery); capacity building of people and systems; generation of knowledge about effective decentralisation for replication; and/or improved service delivery. Finally, AIPD was also intended to provide a 'platform' for other DFAT programs, providing governance support to complement sector programs working on health, education, law and justice, and infrastructure.

This creates some difficulties in undertaking assessment of the program at completion. Essentially the program has been subject to various expectations and not allowed to run for sufficient time to achieve any of the above. While there are an impressive list of activities and outputs from both central and subnational program work, there are few sustained outcomes as yet.

Further, the program started with ambitious long-term targets.[9] Even for the second phase of the program, with a reduced time frame remaining, the revised targets remained ambitious and unrealistic.[10] Simple assessment against these targets is therefore is not helpful.

The ICR therefore sought to understand if program achievements have been well targeted and appropriately delivered and ***therefore would be expected to contribute to substantial outcomes over time.***

## Findings

The overall findings of the review indicate that AIPD has worked effectively to align itself with GoI focus on decentralisation and has participated in key areas of concern to both central and local governments. It has built effective working relationships with different areas of government and with some civil society actors. This is an important achievement that supports the Australian Government being well-positioned to work in partnership with the GoI to support decentralisation.

The following overview examines the significance of this achievement, across the various locations and themes of AIPD work.

## Central government

AIPD gave particular attention to work with Central GoI agencies following the program restructure in 2013. It was recognised that without engagement at this level, the lessons and learning from sub-national developments would not be taken up more widely. Also that good quality Central Government regulations and legislation were critical in driving change at the local level.

> *The program fills the gap between inputs for the regions and the outcomes in those regions. Especially in NTT, NTB and Papua. The program provides innovative ways to improve mechanisms. Brings stakeholders together, especially people and the Government. You can see a sense of belonging being developed in this program. It's facilitating the planning process which is inspiring people. (Bappenas - Regional Autonomy)*

This appears to be one of the successful areas of AIPD engagement. Interviews with the three ministries, MoHa, MoF and Bappenas indicates that by the end of the program it had positioned

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[9] The AIPD Delivery Strategy (September, 2009), provides a long list of indicative indicators which point to substantial changes in local government priorities for spending and eventual impacts upon health and education outcomes.

[10] As shown in Annex Three, against the revised results frame, AIPD has achieved a number of outputs and some partial achievement of others. There is limited evidence of achievement of outcomes at the end of the program, although in some areas (in particular, relationship with national government and service outcomes in Papua province) outcomes have been achieved.

well, working effectively with each and being considered a good quality and trusted partner. A list of the program results shows the wide range of areas to which AIPD contributed.

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*AIPD key results with central Government*

- AIPD has provided direct contributions to the revision of the new Law on Regional Autonomy Law No 23/2014), Law of Fiscal Balance, subsidiary regulations under the new Village Law, and the new regulation on division of government affairs.
- Support to the "Blueprint" reform agenda which is GOI key PFM reform strategy.
- Support to TADF has resulted in 24 policy briefs, 2 policy notes and 12 research policies related to PFM.
- The MSS monitoring reports in all provinces have been submitted to the Advisory Board of Decentralisation or Dewan Pertimbangan Otonomi Daerah at MOHA.
- A server for SIKD (regional finance management information systems) has been installed and is functioning at MOF's Centre for Information and Technology. It currently contains data from 373 APBD documents and 1392 APBD 'disbursement' 2014 reports.
- Development and application of four accrual financial management modules as e-book and portable applications have been disseminated to all local government.
- AIPD and MOF have developed 4 planned applications: i) 'Mobile Apps' compatible with MOF formats such as DJPK, Alokasi Transfer, Realisasi Transfer, Dashboard and Call Centre DJPK; ii) SMS Gateway that is integrated with the existing MOF data platform called SIMTRADA; iii) an application for DAU simulations; and iv) an application for DAK simulations.
- 3583 lecturers trained on public finance management modules.

(Activity Completion report, June 2015)

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Feedback from government respondents indicated that they appreciated the relevance of AIPD interventions, which they considered were targeted to meeting their particular needs.

> *We appreciate this program. Local government is meant to develop and send financial reports to central government. But they can use their own systems and so there have been various systems used and often no reports coming. AIPD supported us with training and technical knowledge to build an interface system. To date we have been able to interface with 85% of districts. As a result 390/542 districts have managed to send financial information. (DJPK – Ministry of Finance)*

> *AIPD started in areas where it was needed most. Where planning documents and work plans were weak. Services were not meeting MSS. As a result [of the program intervention] financial management at the local level has been greatly improved. The districts where the program is implemented have good financial management systems. They have created the budget transfer system. (AKLN – Ministry of Home Affairs)*

> *We are now developing an MIS system where local government input data and we get it straight away and can analyse. It's only been developed in the past six months. We will be able to compare MSS across sectors and regions. We have dreamt about such a system for a long time. With AIPD help we went to a course in Australia that was helpful and timely and*

*we saw how it was done in Australia. We then used consultants provided by AIPD to develop the system that we can now manage. (MOHA - Regional Autonomy)*

Mention was made of the work on improvement of regulations, the work around minimum service standards (MSS), the local government shift from cash to accrual accounting, and the changes that could be observed at subnational level in planning processes particularly in Papua province.

*In my opinion the biggest outcomes were around the management of the local finances. The local governments moved from cash to accrual accounting. AIPD had a lot of influence. It was the biggest achievement. Also development planning was a big achievement especially in Papua. The acceleration there is amazing. Also MSS. When AIPD was introduced MSS was still being introduced. Standards were not in place. AIPD tried to improve these and ensure clarity for services. (MOHA - Regional Autonomy)*

*We are proud of the work that has been achieved with AIPD. There's been a focus on good governance, transparency and accountability. The Ministerial Decree No 64 (2012) can finally work because of AIPD. We can now acquit at the regional level. We have the expertise to develop training modules. At the regional level we have issued a decree to instil accrual budget based accounting. This is a significant achievement under the national budget. (MOHA - Regional Autonomy)*

*People in the villages are very enthusiastic. This indicates the way energy has been mobilised by the program. People are concerned about health and education outcomes….. The program is preparing the villagers to manage the funds which are coming. There needs to be more development of accountability but I'm now optimistic about the work that I've seen in Papua. (Bappenas - Regional Autonomy)*

Perhaps more significantly, MoHa described the main value of the program was that it introduced new ideas that assisted them in thinking differently about how to approach the challenges related to decentralisation.

*There have been improvements in regulations. AIPD helped with analysis, academic papers, field visits and so on, to understand the local level and the way policy needs to reflect this. (MOHA – Regional Finance)*

Some feedback was received about the value of learning from subnational work, although there was a view that more could have been done to support this learning process.

All of the three ministries were appreciative of program support and felt that it had contributed to timely and better quality national level responses to decentralisation, especially around development of legislation and regulations. (Although it should be noted that several major donors in Indonesia have been engaged in assisting the government with the development of key laws such as Law on Regional Autonomy and Village Law)

*AIPD supported TADF between 2012 and 2015. We had technical assistance from them to support our work on fiscal decentralisation. They went to the MOF staff and asked what research is required to support the policy that needs to be developed? AIPD bought together MoHa and BAPPENAS with the expertise of our Bureau. With discussion we decided the right research to be undertaken for policy development. (Ministry of Finance)*

*The work started in early 2014. The DG was concerned about district government performance. He wanted a tool to assess performance of district governments. AIPD provided*

> *funding for us to hire a consultant and then helped us also with other experts. We discussed the issue with other Ministries such as health, education and works. We designed the instrument, then AIPD helped us pilot this tool. They helped us adjust indicators and so on. We intend that it will have a legal basis……We've heard activities must be completed by March so were trying to speed up the final implementation. (DJPK – Ministry of Finance)*

Feedback suggested that government stakeholders at central level considered that the work of AIPD was not yet complete, and they were reluctant to see the program finish at this time in the midst of ongoing challenges related to decentralisation.

> *For 2015 and beyond we want to retain expertise on fiscal decentralisation. (Ministry of Finance)*

> *AIPD has helped in two areas of MSS. In the future it needs to work on the other four [social welfare, housing, infrastructure and transportation]. There are still challenges around areas such as transportation and housing in rural areas. (MOHA - Regional Autonomy)*

While it is clear that the program positioned well in its relationship to central government agencies, its approach was to facilitate many activities in response to specific requests and it is therefore difficult, in the short term, to identify the way in which these add up to sustained outcomes or major change.

> *We really need more information on the progress of this program or information about activities, budget and progress. Bappenas and the Government of Indonesia need to know where needs are and what is happening in the regions. I'd also like to know if the changes are sustainable. I'm curious about the long-term results and what has been improved. (Bappenas - Regional Autonomy)*

This is complicated by the fact that other donors, including the World Bank, were assisting some GoI ministries across a similar time period and it is therefore difficult to unravel the specific influence of AIPD from that of other donors.

> *Unfortunately World Bank and AIPD funding was not harmonised. Basically AIPD supported us on the design and World Bank on training for implementation. But sometimes it's not clear what funds come from AIPD and from the World Bank. (DJPK – Ministry of Finance)*

However, the fact that the program could work effectively across three ministries, particularly in the area of public financial management which is typically fragmented in Indonesia, was of value. Further, the technical assistance provided appears to have been of good quality, creating the view that Australia is a valuable partner in decentralisation support. The program has therefore created relationships which provide a good basis for further engagement with Central GoI around decentralisation.

## Sub-national programs

The most substantial program activity has been at the subnational level, working across five provinces of East Java, Nusa Tenggara Barat (NTB), Nusa Tenggara Timur (NTT), Papua, and West Papua.

AIPD was strategic in its support for GoI existing laws and regulations and in working to have these better implemented at local level. It was able to use the authority of national legislation and regulations to contribute to change at the local level. As a result, there are a significant number of

**outputs** evident at the subnational level linked to program activity. These include a number of important government regulations being completed, changes in budget allocation, notably at province and district level, improved compliance with public financial management standards (in a number of cases this having been verified independently through national and provincial awards), improved provincial, district and community planning, and the production of a range of documents.

There are examples of some **outcomes** having been achieved in terms of service delivery. For example additional health services being made available and improved administrative services in communities. It is important to state however that these, and other good examples of outcomes, are indicative of what is able to be achieved by the program rather than flowing logically from the cumulative changes from a range of outputs. They provide examples of what the program can achieve when it focuses its resources appropriately in a specific context.

Most of AIPD work was not innovative or original. The systems and ideas observed by the review team had either been prefigured in other programs or developed as ideas in other locations. What the program contributed was how to systematise and institutionalise some of these ideas in practice.

Given the short time frame available to the program, this range of achievements at output level is considered reasonable. The program started with a focus around public financial management and an assumption that over time improvements in this area would lead to improvements in service delivery. While this was a somewhat simplistic assumption, it clearly was an important area for attention. The program has contributed to improvements in planning, budgeting and financial allocation and that over a much longer time period and with greater expansion and consolidation of these improvements, they would be likely to lead to better resourcing flows for targeted service delivery.

Noting that the program changed to a focus on service delivery in late 2013, which was operationalised in 2014, the outputs achieved in this area, around improved information flow, improved budgeting and planning at some service unit levels, and improved engagement and understanding from some communities, all appear to be laying the groundwork for improved delivery of services over time.

The challenge is to understand how well the program has undertaken these various activities in response to the different contexts across the five provinces where it was implemented. There is now considerable research and evidence to suggest that response to context and adaption to local 'political' interests and influences are critical to sustained change for service delivery.[11] AIPD adopted a series of local results chains in the second phase, with an emphasis upon the different ways that each province would be supported to achieve improved service delivery. While this was a good approach, unfortunately most of the reporting for AIPD does not present results in context. The reporting aggregates results rather than looks at their significance and likely contribution to further change within the particular challenges and issues in that location.

As a result the ICR therefore sought to understand how well AIPD had adapted to local contexts, looking at two of these in some more detail. The question to be explored was given the particular

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[11] This is supported by recent research in Indonesia (World Bank (2014) 'Lessons for the Frontlines', April.), as well as research supported by AIPD (Zhang, D. & McRae, D. (2015) 'Policy Diffusion. A Four District Study of the Replication of Health Insurance (Jamkesda) and Bosda in Indonesia'). It is captured in lessons identified by AIPD that suggest 'local problems need local solutions' (ACR report).

context and the strategies employed in that location, what had been achieved and how likely were these achievements to lead to sustainable outcomes in the longer term

The ICR team visited two of the five provinces where AIPD operated. The selection of provinces was deliberate. Considerable feedback had been received about the advances that had been achieved in Papua province, particularly in relation to service delivery. Given this province has high rates of poverty (poverty rates of 31.52% in 2013[12]) there were clearly good lessons to be learned about changes in service delivery in such a challenging context. It was also a province where substantial program funding had been expended (15.14% of program total funding).

In order to provide some contrast to this experience, NTB province was chosen. This is also province with high poverty, although lower rates overall than Papua (poverty rates of 17.24% in 2012[11]). Program funding to this province was similar to that of Papua (11.90%). The province was also referenced in discussions with Central Government as one where progress had been achieved in decentralisation activities.

The difference between the two provinces was the approach taken by AIPD, subsequent to the 2013 program restructure. In Papua province a very localised program approach was implemented, which relied heavily on integration with local cultural norms and an understanding of local strengths and constraints. In contrast, in NTB province, the program was guided by the new themes introduced in the restructure.[13] While the program in this location adapted to local opportunity it continued to work from the overall AIPD program perspective, working form the top down to see these operationalised in practice.

### *Papua province*

In Papua (and West Papua) province the LANDASAN program[14] was introduced in January 2014 to support the provincial government and district governments to strengthen the participation of people and village governments in providing better public services. This built on the previous work in the province undertaken by AIPD. The program was delivered through a dedicated structure consisting of program officers, technical specialists and a program coordinator which was different to the approach undertaken in other AIPD interventions (working through hired consultants and implementing partners).

This program focused on strengthening capacity of district government, communities and frontline service providers at the village level to manage basic services more effectively. In particular it tried to strengthen village planning and budgeting to ensure a single village development plan and budget covered all available programs and sources of funding for the village (One Village, One Data, One Plan, One Budget approach).

> *AIPD helped us develop integrated and structured programs. They brought stakeholders together and helped us focus on issues together. So the committee was formed and trained. Stakeholders in the villages get trained. (Jayapura district sector personnel)*

This program sought to learn from other good decentralisation practices and consider how these could be adapted into the local context. Program staff noted that local culture mitigated against a

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[12] http://papua.bps.go.id/linkTabelStatis/view/id/21
[13] In the 2013 restructure the program was reorganised into four themes: open governance; resource allocation and management; sectoral governance; community-based services.
[14] LANDASAN stands for Improving Education and Health Services (*Perbaikan Pelayanan Pendidikan dan Kesehatan*)

simple approach of collaboration across work units, so various efforts were made to bring together service providers in response to their accountability to village government and communities.

There are a range of important tangible and intangible results from AIPD operations in this province, as summarised in the box below.

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*Key results for AIPD in Papua province*
- Unqualified financial audit for the province, after several years of a 'Disclaimer' rating
- Program support for the finalisation and implementation of a regulation for disbursement of the autonomy funds (Otsus/Special Autonomy Funds).
- Program facilitation of the Public Information Commission
- Integration of sector and village planning, leading to what appear to be effective and embedded village plans (very important as a precursor to disbursement of the Village Fund)
- Improvements in service delivery (particularly health service delivery at community level), which in turn has been important in reinforcing the value of integrated planning and focus on attention to blockages.
- Development of a strong, and likely sustainable, relationship between the local university and the provincial government for ongoing support in public financial management capacity building.
- Strong trust and good quality working relationships with government at provincial and district level, enabling facilitation of program activities and outputs as above

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In discussion with provincial government stakeholders in the province, particular attention was given to the program support for finalisation of the regulation on the special autonomy funds allocated to district governments (Perdasus). While Papua province has received considerable extra funding through the special autonomy funds since 2001, the lack of regulations has led to misuse of funds and ongoing problems throughout the province. People described the new regulation, developed in consultation with stakeholders, as empowering them to now implement effective budget allocation for service delivery. It was seen as a critical turning point in more effective public financial management throughout the province.

> *The new provincial Act was a significant change. In the past there was conflict between the executive and the bureaucracy. No one was being honest. Every year there was a fight over money. But now there is agreement on how to use the funds based on the regulation. It's quite. This is a very significant achievement. (Respondent from University of Cendrawasih (UNCEN)*

This example characterises the approach of AIPD in Papua province. It appears to have been able to target key blockages and areas where Provincial and District governments have needed assistance.

> *At first we didn't have any strategic planning documents [*provinces are meant to have a five-year strategic plan together with a long-term development plan and provincial plan*]. So we had a strategy to finalise all three documents in parallel but we needed the capacity and skill to do this. This was the contribution of AIPD that helped us finalise the documents. (Bappeda, Papua province)*

> *AIPD helped us develop the follow-up regulations for asset management. They helped with other regulations for PFM. The program supported focus group discussions to engage with*

*people from the community level. So they got very good input. It's not how we would have done it before. So in the end everyone accepted the perdu because they were involved. It's provided us a useful learning lesson - to involve the community. Everyone learned the process and we want to continue it. (Bappeda, Papua province)*

Likewise in its work with communities AIPD has tried to address 'quick wins', that is focus on solving visible issues leading to a change in the experience of service delivery for people in communities.

*Schools: they do the planning and budgeting for one year but it's well kept at the school. AIPD got the people involved to help make changes at the school. They identified all the roles that need to happen. It is now happening. People turning up. Villages are using their own budget to support the schools. (Jayapura district sector personnel)*

*In some places there were health clinics but no staff. The villages have started hiring staff themselves. I could never have imagined this happening before. People own the facilities and want to be involved (Jayapura district sector personnel)*

This targeted response appears to have contributed to further empowerment and a strong sense of self-reliance among those communities and therefore their engagement in longer term planning for economic and service delivery development.

*Villages are using Google Earth to see what's around the village. This enables everyone to see and be involved. (Jayapura district sector personnel)*

*We were going along. But then we received training about the governance of the village. We opened up. Now we can manage our village. We put data straight into the computers. We know who's poor et cetera and other details and we can enter this. The teachers and other people with training can make a five-year workplan and the village government can understand it…. We have realised that we have a lot more potential than problems. (Respondents from Nendali village)*

*There was a health centre built here in 1997 using PNPM funds. However it was there but not used. So we wrote to the department of health and education; they came and saw. Then the Health Department gave us equipment and staff, and now it's being used. This is proof that we can manage and use our own resources. (Respondents from Nendali village)*

While the service delivery gains to date are modest, this considerable shift in attitude and approach from community through to provincial government suggests a very strong basis for ongoing improvements.

*In the future we want to develop their own businesses. This is a beautiful place for recreation and our five-year plan is to focus on tourism and fishing. (Respondents from Nendali village)*

*At this moment the government is starting to pay attention to villages. Each village has its own problems. And each group needs to design its own solution. So we have to keep up with the process to enable them. (Buparti, Jayapura district)*

Both program staff and government counterparts suggest the gains are fragile and need further support, but conclude the program has introduced a new approach which, if continued, will provide the right basis for sustained better quality services to communities.

> *In the past, official from the districts just asked for money. Now the paradigm is changing. They are the starting with proper paperwork. We want everyone having good procedures. We have seen a quick improvement…..but there are basic things that need to be improved. It needs to be systematised so even if we go it will continue. …….Holding on to what we have done so far is harder than improving. (Office of Provincial Financial and Asset Management)*

> *Back then cooperation between village government and people was not united. No one was there to supervise staff in the health centre. But now we are all responsible to see health staff do the job. (Jayapura district sector personnel)*

Much of the capacity development and technical support provided to provincial and district government has been organised through the local university. The department within this university has built its capacity in response to the opportunities provided by program activities and now has an ongoing relationship with the local government to continue to provide technical and other capacity support over the long term.

> *Donor facilitated the relationship with this local institution. It will be more sustainable in the long term to have the government learn to turn to a local resource like us. For now AIPD checks on our effectiveness. (Respondent from University of Cendrawasih (UNCEN)*

Key to the program effectiveness has been the employment and development of a local program team who have good understanding of relationships, culture and influences in the province. This team have been able to work effectively within this understanding to take up opportunities for change and support effective change agents. This appears to be a good example of AIPD 'thinking and working politically'.[15]

### NTB Province

In NTB province the program focused its attention on work at provincial and district government with particular attention around AIPD themes of resource allocation and management, open government, and sectoral governance.

What is notable about the NTB program is the way in which it has sought to engage with good leadership at provincial and district level in order to support their drive for change. The program appears to have worked effectively by aligning with government interests and existing plans.

> *In this district in 2009 the poverty level was very high. I became mayor in 2011 and looked at why there was high poverty. As a result we developed a plan to increase access for basic needs and traditional markets to limit cost and increase the flow of goods. We worked on education infrastructure and health infrastructure. In 2012 we started to implement this plan but to make the planning and training the team takes time. This is where AIPD came in to help with training. We had the ideas and inputs and AIPD help to bring our ideas into systematic ways. Together we developed the medium term development plan. It is now the best in the province. And we have strategy that gives the staff understanding and focus. They know the targets and what they are expected to do. (Regional Secretary, West Lombok District)*

> *The most important input from AIPD is not the money, it's the people who can help us think. (Regional Secretary, West Lombok District)*

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[15] This approach is well outlined and developed in a current DFAT publication:
Teskey, G. (2015) "What is the big deal about thinking and working politically?" Maastricht, May, Department

Respondents from other DFAT supported programs identified that they were able to leverage further engagement with government in this province due in large part to the existing relationship between AIPD and provincial and district governments.

A summary of key results indicates that changes arising from program support in this province have generally been in government systems and planning, as outlined in the box below.

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*Key results for AIPD in NTB Province*

- Program support for increased access to information, which supported the province to be awarded the number one position in the FOI rankings in Indonesia
- Program support which contributed to NTB receiving an award for the best planning and budgeting across all provinces in 2012 and 2013
- Program support contributing to an unqualified national audit opinion for the provincial budget for four consecutive years
- The production of a roadmap for Bureaucratic Reform, in line with the government regulation produced in 2014
- The development of a Minimum Services Standard Award (the first province in the nation to try this approach), which in turn provoked action across all districts to improve compliance with MSS, as part of the competitive process
- Significant shifts in particular districts where the program is working. This includes Dompu district which moved from having the worst result under the annual government audit (Disclaimer) to now having an 'unqualified' assessment. In Lombok Barat District, another program focus area, the program has worked closely with a progressive Head of Bappeda and Regional Secretary to capture and consolidate his strategy for poverty alleviation.

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Government respondents pointed in particular to the support received around PFM, particularly planning and budgeting, which had been clearly recognised through improved audit assessments (It needs to be noted however, that the PFM work undertaken in this province builds upon several years of input by another donor, GIZ, and it is therefore difficult to identify the specific contribution of AIPD alone).

> *The focus of this program is planning and budgeting. Certain districts such as Dombu district, received an unqualified audit opinion. This is been achieved through training. The program also worked to establish an information centre where people can access data and get health information. (Respondent from office of the Bappeda, NTB Province)*

> *Previously my planning team did not understand technical processes and terms - input, output, and many other things. On the initiative of AIPD, they developed a model. We were invited to provide input to finalise the model. This was used to train the technical teams to improve department planning, especially related to budget. After this, the budgeting process became better and more connected. It was integrated with the village proposals from the subdistrict. (Regional Secretary, Lombok Barat District)*

The focus on MSS was relevant and according to recent research, well targeted.[16]

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[16] World Bank research identifies that MSS is relatively successful approach to increasing resource applications for local service delivery. (World Bank (2014) 'Lessons for the Frontlines')

> *With AIPD support we have produced two outputs. The first is a Roadmap for Bureaucratic Reform and the second is a Minimum Services Standard Award. We are the first province to have this award…. AIPD helped us to give awards to those districts that had achieved good standard MSS. In the past some districts were not reporting on services. As a result of the engagement through the award, districts can now produce an annual report. (Social planning division, NTB province)*

Government stakeholders pointed to the value of improving information flow, with program assistance having been received to support systems development for improved freedom of information in the province.

> *We are ranked number one across all provinces for information disclosure. In 2012 and 2013 we were ranked sixth. In 2013 we had support from AIPD for an IT based information system. By 2014 the system was established and we now have a website with information that people can access. And people make requests for information. We've had approximately 500 requests so far, mostly related to finance issues. (Provincial Communication and Information Office)*

The review team was impressed with the level of engagement with government in this province but saw less of the problem-solving approach which had characterised the work in Papua province. While the AIPD has shifted in this province to work with service units and some communities the strategies have not yet translated into service change outcomes. For example, support was provided for an existing provincial program to address problems in health service delivery. While this was perhaps a sensible use of resources (targeting an existing program structure), the lack of underlying analysis (about program feasibility and approach within this context) appears to have resulted in limited changes. The focus was on making programs work rather than solving the problems to which the program was directed.

In other examples, both the program and government respondents identified that most work had been undertaken around government systems and procedures with less attention to date on communities.

> *We have big plans to facilitate the villages. There is support required to improve capacity of village officials to manage funds and report. The human resources at village level in this district need help. This is where we would like future help directed. (Regional Secretary, Lombok Barat District)*

> *In the future we would like to focus on how to mobilise community participation in planning and budgeting et cetera. We need to train the government in the directly deals with the community (Head Bappeda of West Lombok District)*

Taken together, these responses and observations point to an ongoing focus on improving services through development of existing systems. It also illustrates a somewhat top down approach, limited in its adjustment to local strengths, opportunities, culture and influences.

In the conversations with various respondents the review team noted an ongoing sense of dependency upon donor inputs and more limited government ownership of changes achieved to date. Notably in NTB some of the work was undertaken with resources brought into the province, including the introduction of a local branch of a national CSO, and other introduced technical assistance and supports. While these were well targeted and addressed identified needs, it seems that they had not facilitated a shift to locally owned and driven processes.

The work has supported some good activities and effective engagement with good local leadership, but the impression in this situation was that the lack of in-depth contextual responsive, locally driven programming, together with a continued focus on systems improvement, had resulted in changes which were, unlikely to be continued and extended beyond the life of the program.

## AIPD as a DFAT program platform

A further intention of AIPD was to serve as a 'platform' for other DFAT supported subnational programs. In particular, it was meant to provide governance inputs to complement sectoral programs in areas such as health and education.

The program reports that it struggled to achieve this synergistic approach and in reality there was not a systematic collaboration with other DFAT programs. Some good examples did emerge however. The DFAT health program, particularly the HIV AIDS component, pointed to the good collaboration with AIPD in Papua. While this was not possible in the first phase of AIPD, feedback from DFAT respondents indicates that after the restructuring in 2013 with AIPD now focused on service delivery, good collaboration was able to be undertaken. This was achieved through quarterly meeting with implementing partners which focused on practical achievements and outcomes.

At the community level AIPD was able to work to create demand and this complemented the inputs of the HIV AIDS program around community information dissemination. At the district level AIPD cooperation with the district government could be leveraged by the HIV AIDS program to address problems in delivering services.

Other DFAT supported programs utilised the knowledge and contacts of AIPD in various locations, particularly in relation to good relationships with provincial and district governments. People identified that collaboration appeared to work best where a DFAT person was employed as a local program manager (in NTT and Papua).

According to respondents, factors which mitigated against AIPD serving its platform role included the lack of consistency in geographical alignment between DFAT programs, insufficient bottom-up planning mechanisms among programs and the lack of DFAT enforcement and direction that AIPD and other sector programs should cooperate.

For the future, respondents felt that being clear about what each program had to offer and utilising the program which was best positioned to provide DFAT leadership in that location (rather than having the same approach in all locations), would provide more flexibility for future collaboration between various DFAT supported programs. There was also a view that the current focus on frontline service delivery would provide some better shared focus for future program collaboration. Overall however there was a view that without dedicated DFAT management towards collaboration and a requirement that contractors produce outcomes to this end, it was unlikely that substantial collaboration would occur between governance and sector programs in the future.

## Program management

There are various elements of the way AIPD was implemented which had direct bearing on its achievements as well as wider application for consideration in future programming. These include program management models as well as implementation approaches.

AIPD utilised a hybrid program management approach, with the program director and two deputy directors both drawn from DFAT personnel. People pointed to some of the benefits in this

arrangement, which as noted above, supported better program collaboration with other sectoral programs.

Having DFAT people in charge facilitated timely and well-managed program adjustment and contributed to the good achievements which have been observed. In locations such as Papua, the authority of a DFAT program manager contributed to the ability of this program to work independently and develop its highly effective localised approach. In 2013, having an experienced DFAT staff person move into AIPD as director enabled a rapid shift in what was then perceived as an ineffective program structure with inadequate progress towards results.

On the other hand, it appears that having DFAT responsible for the program at a senior level did undermine some of the accountability normally expected of an implementing contractor. Attention to program implementation problems and other areas seems to have been inadequate up until the program restructure in 2013. Program administrative resourcing was reported as being less than adequate up to this time. Certainly, program reporting and monitoring and evaluation, as well as administrative support appear to have lacked sufficient capacity. It seems to have been difficult for DFAT program staff based in Jakarta to undertake independent critical assessment of programs operated by their colleagues.

A further feature of program management was the decision to work through implementing partners rather than providing direct technical assistance in the first phase of the program. This proved problematic for many reasons, related both to the capacity of those implementing partners as well as the limited support provided to them. However, AIPD did successfully utilise the services of two universities to provide capacity development services for local government. This appears to have been an effective strategy, utilising organisations likely to remain in the same location and capable of developing long-term expertise to serve provincial and district governments.

This suggests that the use of local implementing partners is not in itself a bad strategy but that resourcing and attention needs to be given to the selection of those partners. Further, that the partners need to have reasonable operating structures and accountability systems, or be supported to develop these. Finally, partners need management and support, at least in their initial program interactions. In the example of the University in Papua province, AIPD worked closely to help them develop their relationship with local government and to build their capability to provide services of value and quality.

## AIPD themes
In the second phase of AIPD, four themes were developed to group and explain the work of the program: open government, resource allocation and management, sector governance and community based services.

As noted above, there was some tendency to aggregate the work of AIPD under outputs associated with each of these themes, which underestimated the different achievements within their local context. The ICR team would suggest that achievements of AIPD are best understood in terms of their positioning and response within local contexts. But given the centrality of the themes as key assumptions in the revised program logic, it is important to also consider achievements under those themes and how they in turn contributed to intended program results.

### *Open government*
Work under this theme included support for improved supply of government information as well as improved demand. The AIPD emphasis appears to have been focused around the supply side of this

work with reported outcomes in the establishment and functioning of information centres and in regulations related to improved government transparency and information sharing.

Respondents in both provinces and at Central level suggested that much more could have been done on the demand side. In particular, people felt that greater attention could have been given to building CSO capacity to support demand as well as improving community understanding of their rights to information. This is in line with recent research in Indonesia that suggest community-based advocacy can focus government attention and lead to more immediate problem solving.[17]

Less results have been evident from the AIPD focus on media and its support to develop the capacity and engagement of local politicians. Other recent research suggests that creating demand through either of these channels requires good analysis and very careful and informed implementation strategies adapted to the local context.[18] Together with AIPD experience, this suggests that working for more open government through these channels in the future, would require far more detailed implementation approaches based on locally and politically informed approaches.

### *Resource allocation and management*

The work undertaken for this theme focused mainly on public financial management, particularly attention to budgeting and planning and spending at provincial and district government. This was assessed by respondents as being an important and necessary focus given that PFM is at the heart of decentralisation.

At the same time changing service delivery outcomes is a complex process and PFM is one (very) necessary, but not sufficient intervention to support improved service delivery. Research undertaken by AIPD suggests that other issues such as poverty, population size and regional GDP per capita are also important determinants of service delivery improvement across Indonesia. Further that increased expenditure alone, even if this can be achieved through a PFM focused approach, will improve services only up to a certain point.[19]

The AIPD focus on PFM as a strategy appears to have developed because it was a tangible and accessible entry point for the new program. While the delivery strategy provided a reasonable analysis of the complex issues related to service delivery in a decentralised context, the program implementation defaulted to technical solutions rather than try to engage with the reality of that complexity.

Following the program restructure in 2013, a more sophisticated implementation strategy was developed. PFM assistance became one of various strategies for change and AIPD became more focused on PFM as a means to an end. This appears to have been a more effective approach although the short time frame left for the second phase means that it is not possible to be clear what outcomes would eventually be achieved and over what time frame.

### *Sector governance*

As a result of the program refocus on service delivery from 2013, there have been considerable achievements around governance improvements in schools and health clinics targeted by the

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[17] World Bank (2014) 'Lessons for the Frontlines'

[18] Zhang, D. & McRae, D. (2015) 'Policy Diffusion: Four District Study of the Replication of Health Insurance (Jamkesda) and Bosda in Indonesia'

[19] Lewis, B, McCulloch, N. & Sacks, A. (2014) "What drives local service delivery performance in Indonesia?' Australia Indonesia Partnership for Decentralisation Working Paper 3, December.

program. These improvements include attention to planning and budgeting, adherence to MSS, provision of public information and improved service unit management.

Some of the work in improving service units is moving towards a sustained outcome. For example some health facilities services had achieved a sufficiently high standard that they are now able to charge for their services ensuring a degree of ongoing resourcing to contribute to maintaining standards.

In Papua province the ICR team observed these changes coming together with other problem-solving interventions, to produce improved health services for people in communities. The lessons from that location suggest that while improved governance was a critical and important element of improving the services made available to people, other assistance was also required to solve problems and blockages in the system. For example, feedback from the DFAT supported sector programs indicates that areas such as technical capacity and resources are best provided by specialist programs. In addition, other experience from AIPD suggests that brokering relationships and improving accountability between service unit staff and managers, local communities and district and sub-district government is also an important contribution to service delivery improvements and sustained delivery.

Overall therefore, AIPD experience suggests that the work in sector governance is an important contribution to sustained improvement in service delivery but needs to be complemented by other strategies and inputs in order to lead to tangible change.

*Community based services*
The program work on community-based services refers wholly to the work undertaken in Papua and West Papua provinces.

As reported above in the discussion around the findings for Papua province, there have been experiences with communities undertaking good planning and budgeting for their development. There is also examples of the engagement between community and service sectors leading to the actualisation of the One Village, One Data, One Plan and One Budget approach.

The work demonstrated in these two provinces is important because it has positioned the target villages appropriately to benefit from the new Village Law, which will see resources transferred directly to community level. As such there are things to be learned from the focus of the work and the approach. In particular the use of skilled local staff, able to facilitate effective working relationships between communities and service providers has been a strength of this work. Further, developing strategies which utilise local cultural norms (as opposed to simply recognising they exist) has been an effective strategy.

The work undertaken here suggests that working with communities to increase their participation in and ownership of local services, is an important part of improving service delivery in Indonesia. However it needs to be underpinned by good community development processes informed by local cultural and political realities.

## Gender
An intention of AIPD work was to mainstream gender across all work areas. This was identified in the original program design as focused around increasing gender equality and women's participation and therefore supporting the development and institutionalisation of processes within government to achieve gender equality.

The importance of the focus on gender was reaffirmed in the 2013 program restructure. Gender profiles were planned to be developed in 2013 and the objective of these was to establish a baseline and identify key areas of inequality to be addressed through policy and advocacy. Unfortunately these were delayed and only completed in December 2014 in five pilot districts. There is some indication that these profiles have contributed to increased commitment to gender in the target districts, but they have not served as a precedent for change across all program areas or beyond.

The program has developed tools for conducting gender analysis and application of national gender mainstreaming that include:

- Guidelines for preparing GBS and GAP;
- Guidelines for preparing and analysing disaggregated data for gender-responsive planning and budgeting; and
- Guidelines for analysis and advocacy on gender equality for education and health services.

There are indications that some of these guidelines are being utilised in some districts.

Overall however, it is not possible to identify any substantial contribution by the program to changes in the way local government use gender equality as a key consideration in policy development. Evidence from recent program research into what does influence policy development in local government[20] suggests that a far more comprehensive strategy (and accompanying dedicated resources) would be required to see any substantial change in this area.

## Knowledge management

A key assumption of the original program design was that management of knowledge, designed to learn lessons from program implementation, would be an important contribution of AIPD to wider GoI considerations about decentralisation. This was aligned with the original program delivery strategy focus on brokering and mediating between the two elements of demand and for supply.

A strategy for knowledge management was developed in 2012 which focused on the flow of information and knowledge to the decentralised level to assist local government improve their capacity to plan and manage. In turn development of local information was meant to increase transparency, partnership and collaboration between local governments and development partners such as CSO and communities.

There are some indications that this process has been underway in provinces, working to support supply-side information services. AIPD has directed resources to improvement of information centres and supported increased transparency of government information. As noted above, some attention has been given to improving community utilisation of this information for advocacy and improved service delivery.

Research about the experience at the decentralised level was also intended to flow to other parts of Indonesia and to central government agencies to ensure appropriate changes in systems and regulations. This seems to have happened to a limited extent. Local government respondents and national government feedback suggested that new ideas were made available to National Government in the development of regulations and systems. Program documentation points to a number of knowledge sharing activities, including forums and meetings where information was actively provided to various stakeholders. Perhaps more importantly, government respondents

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[20] Zhang, D. (2014) 'PERA evaluation report, part B: do local governments in Indonesia make evidence-based policy?'

report that the program facilitated the use of focus group discussions and collaboration with other stakeholders, an important process for knowledge dissemination which improved the insights available to government in its policy process.

The importance of knowledge and research was reaffirmed in the 2013 program restructure, following the greater emphasis given to work with Central government ministries. Knowledge and experience from subnational level was intended to influence policy development and regulations and training supported at the national level. At this time, increased emphasis was given to independent research of relevance to service delivery and decentralisation. In response to the need to better communicate the program, attention was also given to documenting good practices and stories about effective outcomes.

In terms of results, Central government respondents report that they were informed about activities at subnational level and that this was useful, and that it informed training and regulation development. However plans to conduct shared evaluations and joint research activities with those officials around subnational examples were not pursued. Research was planned across a range of important areas and some research documents have been produced (these are included in the list of referenced documents in Annex Two). However most of these were produced very late in the program life and were not available to influence program operations or policy development. They remain available as a program contribution to future work to support decentralisation.

There is limited information to suggest that lessons learned were well-documented for dissemination to other locations in Indonesia in a systematic way. Program reports note that there have been fifteen instances of lessons from AIPD practice being replicated in other situations; which seems a remarkably low application rate given the resources invested in this program.

The largest gap in knowledge management however seems to be the failure to document the governance processes which were trialled and utilised in the various sites where the program was operational. As noted, in the two provinces where the ICR team visited, there was substantial learning to be obtained about how governance processes operated in each location and how the program was able to utilise and interact with these in various ways. The learning from this governance interaction is a significant contribution available from the experience of AIPD and the failure of the knowledge management strategy to capture this in a rigorous way is a major gap in program achievements.

There seems to be several reasons why knowledge management was given limited priority in program operations. In part it seems that inadequate resources were provided for this area, and those were mostly delegated to one implementing partner; BaKTI. While it was intended to be a major strategy of the program, this outsourcing appears to have allowed the strategy to slip from program attention.

In addition, during the second phase of the program, there was considerable concern around communication of program achievements, and attention appears to have shifted to simple aggregation and listing of results and production of good news stories in order to improve the visibility of the program. All this may be understandable from program management perspective but clearly undermined the attention being given to systematic learning and management of knowledge.

### Monitoring and evaluation

Alongside knowledge management, M&E for the program was an important process to ensure AIPD was on track and positioned to achieve its intended outcomes. Considerable attention was given to

M&E in the initial phases of the program with a detailed strategy developed reflecting the program outcomes and attention to the capacity development strategy.

The M&E strategy was further developed in 2013 as the program was restructured, with the addition of several indicators and attention to progress against service delivery outcomes.

Despite this attention and redevelopment, the M&E seems to have struggled throughout the whole of AIPD, with a view from several respondents that it has not served the program well in terms of communication and program management. There seems to be several reasons for this.

Whilst the original program design anticipated an iterative and adaptive approach that would see work undertaken in response to local conditions, the technical focus on public financial management dominated the development of the initial M&E framework. Rather than anticipate an iterative assessment process, learning about change relative to local context over time, the original M&E framework outlined a series of high-level indicators from which the program would measure change which simply aggregated the type of change sought in all locations and failed to understand the differing starting points for each area of work.

Added to this, no detailed baselines were undertaken from which to give meaning to achievement against those indicators. Using indicators such as these require comparison to original baseline and an explanation of the significance within local context (for example, while in some locations a 10% improvement in allocation for health services in the district budget might be impressive, in other locations this may simply be in line with previous trends). This use of indicators therefore 'flattened' the program achievements providing no sense of their meaning within differing contexts.

In addition, the M&E framework gave limited attention to assessment of intangible processes such as engagement, ownership and political support for changes. Notwithstanding the extensive evidence that points to the importance of these type of processes as critical to sustained changes in government operations and to improved service delivery, the program M&E focused mainly on observable output level change as indications of program success. This meant that it provided very limited information to inform program learning and improvement. The program had the opportunity in 2013 to introduce a more appropriate M&E approach alongside its attempt to work in a problem-solving and iterative way. However the original M&E was largely maintained with some additional indicators.

The way in which M&E is undertaken is as important as the content. In a program such as this, which aims to build capacity for government and communities, the process of assessment and judgement needs to be one which is shared by those stakeholders. While there were plans to undertake field evaluations with national government counterparts, these appear to have not been realised. Also, while attention was given to improving community processes of assessment in some districts in the second phase of the program, this did not align with the program M&E and thus there was limited opportunity to draw these two processes together to build a more comprehensive picture of change.

M&E of governance is a specialist area of assessment which usually requires detailed attention to program theory of change and clear identification of assumptions and areas where processes and interactions are still to be explored. There is considerable research and discussion about appropriate assessment processes for governance programming and for working in politically informed ways.[21]

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[21] See for example:
Jones, H. (2011) 'A guide to monitoring and evaluating policy influence', Background note. ODI, UK.

Generally speaking a linear approach utilising a simple 'cause and effect' model of change is inadequate to this task. However despite this extensive and well-documented knowledge, AIPD persisted with a simple results framework and linear program logic chain, leading to a M&E and reporting which failed to capture the complex program progress.

## Capacity Development

Finally, in relation to M&E it is worth noting the approach utilised by AIPD for its capacity development interventions and assessment. The simple model from which the program developed its understanding and implementation of capacity development did not serve it well.

There has been some considerable work in DFAT in recent years to understand successful approaches to capacity development. The overwhelming conclusion is that capacity needs to be understood within a systems approach that considers both the tangible processes of technical skills transfer, as well as the less tangible motivations and incentives which people have for behaviour change.[22] More recent research also points to the need for attention to cultural understanding of how behaviour and institutions are shaped.[23] This knowledge was absent from the AIPD capacity development model. Instead, a simple and linear model was utilised from which to create and assess capacity development approaches. This simplistic approach left the program with an incomplete strategy and a poor framework through which to describe and assess progress.

## Value for money

The review team was asked to provide some assessment around value for money for AIPD. DFAT utilises the 'Four E' model in its approach to value for money assessment.[24] Working through that model is useful way to frame assessment of AIPD. The following discussion is provided with some caution however, given that retrospective value for money assessment is limited by several factors.[25]

As noted in program documentation, AIPD started with a strong commitment to low-cost approaches to implementation (*economy*). Program documentation indicates that while this was well intentioned, it led to insufficient attention to quality of outputs and financial control. Following the program restructure in 2013, the new management and operations support team (MOST) was mobilised. With this additional resource in place for the second phase, the program appears to have balanced the attention to operational costs and program quality in an appropriate way. [26]

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Rogers, P.J. (2008) "Using program theory to evaluate complicated and complex aspects of interventions", ***Evaluation* 2008 14: 29.**

[22] Baser, H & Morgan, P (2008) "Capacity, Change and Performance" ECDPM, Discussion paper no 59B.

[23] Rhodes, D. (2014) "Capacity across Cultures", Inkshed, Melbourne.

[24] The Four E model proposes that attention needs to be given to program economy, efficiency, effectiveness and ethics in order to provide a balanced and sufficiently broad understanding of value for money in development interventions, particularly those interventions operating in complex contexts. Underneath these four categories, DFAT propose eight principles, designed to guide decision-making in value for money considerations.

[25] It is important to state that there was neither the time nor resources to undertake a detailed and fully costed value for money study as part of this review. Furthermore the data required to examine cost of activities in sufficient detail is not available, nor was the managing contractor required to maintain and collect this data during the life of the program.

[26] The program Activity Completion Report notes,

'U*sing a standardised set of questions regarding financial and cash management and procedural controls, MOST identified a number of areas for improvement in the first round for each AIPD office. The results from the second round of spot checks demonstrate clear improvements across the majority of AIPD offices relating to the management and control of advances, petty cash and assets.' Pg 72*

The way in which the program worked for change and how it distributed its resources to achieve the desired results speaks to the *efficiency* of AIPD. There are a number of areas to consider around the strategies utilised by the program and their related costs.

AIPD started with a relatively low number of program personnel, intending to implement through implementing partners (IP). While this was a strategy that should have contributed to the program economy, over time it proved a less effective way to deliver the results being sought. As a result the program reverted to increased use of program staff for implementation and this is reflected in the high costs for program personnel across the life of AIPD (46% of operational costs across the program life were for program personnel). In line with experience from other decentralisation programs such as LOGICA and ACCESS, the need to have a high number of staff directly able to implement and facilitate many different types of activities seems reasonable. However, some closer examination of specific staff roles and their added value, together with more information about how IP could have been used more effectively, would provide a basis for a more thorough assessment here.

In addition AIPD sought, as far as possible, to employ Indonesian personnel and avoid expensive international staff, further maximising attention to economy. On the other hand, at the request of Central GoI ministries, the program contracted a wide range of technical personnel, both Indonesian and international personnel, which contributed significantly to additional operational costs (21% of the program operational budget was spent on technical assistance). While these personnel were chosen by GoI and therefore the program had less control over this cost, given the limited range of sustained outcomes achieved in work with central government agencies, this would be an area where the economy of this input versus the effectiveness achieved could be questioned. It speaks to the need for the program to context and negotiate with partners over requests, in order to ensure best value for the money expended.

Added to this, the way in which the program resources were distributed (proportionality), with the highest percentage of program resources directed towards activities with Central government ministries (22.78% across the life of the program), adds to a concern that in seeking to build engagement with central government agencies, the program have reverted to an easy, albeit more costly, strategy of using resources to build relationships.

Beyond program costs focused on central government activities, the remaining program resources were distributed among the five provinces and the technical support team (MOST) with some large variations, as indicated below.

| Province | Program costs (life of program) | |
|---|---|---|
| | Percentage | AUD |
| East Java | 9.56% | 4,173,891 |
| NTB | 11.90% | 5,196,756 |
| NTT | 17.14% | 7,482,122 |
| West Papua | 9.70% | 4,235,603 |
| Papua | 15.14% | 6,607,660 |
| Central | 22.78% | 9,936,350 |
| MOST | 13.78% | 6,015,553 |
| **TOTAL** | **100%** | **65,742,868** |

There is insufficient programme information around the baseline conditions in each province, and about the achievements against those original conditions, within the context of need and opportunity in each province, to make an assessment about the reasonableness of this distribution of resources. This is disappointing given the quite large variation. For any future decentralisation program better attention to baseline measurement and identification of specific objectives for that location against baseline assessment in order to compare this with costs of implementation, would be useful.

This report has already looked in some more detail around program *effectiveness*. The evidence to date points to AIPD having had limited effectiveness in terms of its original targets and intended outcomes. At the same time it has achieved results in terms of engagement and positioning both at central and provincial levels and the conclusions from government respondents suggest that given more time, the program approach to combining a focus on problem-solving for service delivery together with support for systems improvement would be likely to lead to sustained and effective outcomes. So in terms of effectiveness to date, while AIPD could be considered to have provided insufficient value for the costs incurred, with further DFAT investment it is more likely to provide a reasonable return on that investment in the future.

The final consideration in value for money is that of *ethics.* This speaks to program inclusion as well as how the program works in an accountable and transparent way.

AIPD targeted provinces where poverty rates were high and service delivery in need of support. It gave attention to gender mainstreaming, albeit with limited results so far. To this extent the program could be seen to be operating in an *ethical* manner, in line with DFAT policy guidelines.

In terms of transparency and accountability, the program has increased its focus on communication and production of information products. It has worked closely with government counterparts and in many locations also with people in communities. To this extent it could be considered to have sought to maintain accountability across a wide range of stakeholders.

Bringing this overall assessment together suggests that AIPD has given due attention to economy and ethics but insufficient consideration of efficiency and has not demonstrated sufficient effectiveness to date. This would suggest that the program has given insufficient attention to value for money overall. However continued program work in these locations, building on the experience and relationship developed to date, would likely increase the value of the return.

Future programs for decentralisation would need to consider the lessons from this experience in order to increase their demonstrated value for money. This would include using evidence from AIPD experience and that of other decentralisation programs[27] to ensure the most effective strategies for change are utilised, even where this requires negotiation with stakeholders such as government. The proportion of program budget allocated to specific locations and to implementation strategies needs to be clearly justified at the beginning of the program and maintained only if supported by evidence of results throughout the program life. Further, future programs need to carefully consider the results being sought and whether the proposed program timeline is sufficient to achieve those results. Finally, clear baseline, that gives attention to qualitative and quantitative measures, should be included for all program locations in order that assessment of effectiveness can be undertaken in an informed manner.

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[27] For example, the World Bank report "lessons for the frontlines", provides a useful comparison of costs of different products utilised by decentralisation programs and their relative outcomes.

## Discussion and recommendations

*1. What did AIPD achieve and to what extent did it contribute towards improvement of public service delivery in target locations? What were the key factors that hindered or helped?*

Based upon the findings, the assessment of the ICR team is that AIPD has contributed towards important outputs that provide a basis for likely improvement in public service delivery, but that it has been unable in the timeframe allowed, to pursue these outputs towards substantial outcomes.

Further, the value of outputs and their relationship to likely outcomes varies with context. This is directly in line with the final assessment undertaken by AIPD.[28]

In the two provinces where the ICR team was able to spend time it appeared that an enabling environment for service delivery was more likely to be created through activities developed in response to a good analysis and understanding of that local context. This required a good political and local understanding, able and informed local staff and a willingness to work in flexible and iterative ways to maximise stakeholder engagement and utilise opportunities for change. Working in a more top down approach, based on an externally derived assessment of the change required, can also lead to results, but these are less likely to be sustained, at least in the short term.

The program logic for a governance program is critical to ensuring an effective approach. AIPD experience suggests that a program approach which identifies a single issue focus, such as public financial management, in isolation from an understanding of context and other contributing factors will limit program outcomes and effectiveness. On the other hand a focus solely on problem-solving and attention to blockages is likely to be effective in the short term but needs to be accompanied by changes in systems, regulations and capacity over the long term in order to be maintained. For example, feedback from DFAT sector programs about AIPD achievement, suggests that even in areas where service outcomes were being achieved these were unlikely to be sustained without ongoing technical assistance and capacity development for those services.

This perhaps is one of the key lessons from AIPD experience, that while change in service delivery might require adaptive and problem-solving approaches, for this to be sustained it needs to be supported by changes in regulations and systems over time. Some of these changes will require work by governance programs. Others are likely to require specialist technical support best provided through sector programs. Ideally programs in the future would utilise the AIPD locally adapted, problem-solving approach as practised in Papua, in collaboration with sector programs in order to provide a comprehensive and flexible set of responses to ensure sustained service delivery.

Finally, AIPD achieved good positioning and engagement in the decentralisation process. This was an important achievement against original program intent. GoI stakeholders indicate it has been important to them and that it should have been allowed to continue and develop further. The partnership with GoI at central level was contributing to improved decentralisation policy. Over time it would likely have contributed to improved practice in decentralisation and eventually to improved service delivery. Engagement with government at provincial and district level was clearly valued by

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[28] The program Activity Completion Report notes,
*'AIPD has over the course of its implementation delivered some remarkable results and has clearly contributed towards gender-responsive policy change, increased local capacities in all gender-mainstreamed thematic areas, supported improvements in local service delivery outputs in terms of organisational and behaviour changes, and even resulted in direct service improvements in some cases. However, it is also clear that the program has not been able to meet all originally set targets. In retrospect, it is clear that AIPD should have established more realistic targets, which took into account regional differences and starting points.' Pg 47*

these stakeholders and was providing a basis for AIPD to work directly on improvement of systems related to planning and budgeting, information exchange and service standards.

The short time frame ultimately available to the program prohibited it from demonstrating the full value of this positioning. The hypothesis of the review team is that the program's skill in effective government engagement would likely have been an important basis over the long term, for both AIPD and other sector programs to collaborate with provincial and district governments towards improved and sustained service delivery.

2. *What aspects within AIPD remain relevant within the current environment and context, from both GoI and GoA perspectives?*

Some of the key lessons from AIPD are not necessarily new but continue to be relevant for future programming.

### Analysis of context

It is clear from the two provinces visited during the review that program strategies to support improved governance need to be developed in response to local context with a good understanding of existing change agents, drivers of change and opportunities. There is nothing new about this, this is 'thinking and working politically', but a program approach which is driven from the top-down without considerable adaptation and development within context is unlikely to achieve sustainable results.

Alongside this, programs need to have a good analysis of the existing landscape, including an understanding of previous donor support, and how this has worked effectively or not in that context. There was no information in AIPD documentation about other donor programs in the locations where AIPD was operational. There was apparently minimal analysis about how the experience of other donors could provide lessons for program implementation or may have in fact contributed to the same outcomes and achievements being claimed for AIPD. While DFAT seems to have given some consideration in current program development to learning lessons from other Australian government support for decentralisation, it does not seem to have extended this learning to the work of other donors and Indonesian actors. This is a wholly insufficient basis from which to design effective governance interventions.

**Recommendation One**

***Future programs that support decentralisation in Indonesia should be assessed for feasibility. The feasibility assessment should give attention to existing research and experience around effective decentralisation support in Indonesia and that related to effective governance programming in complex environments. The proposed program designs need to be tested to assess the likely achievement of outcomes, based on the clear lessons learned from decentralisation and governance research and programming to date.***

### Resourcing

Work in decentralised and challenging contexts requires specialist expertise. This includes high quality local facilitators and staff with the right skills and experience to work 'politically'. In the example of Papua province, the review team was struck by the careful attention that had been given to selection of local staff who combined good local knowledge and understanding, with the ability to work for change across communities and government locations.  These process skills were as significant to the outcomes in that location as the technical information bought by other specialists.

Again this is a lesson that is common to other DFAT decentralisation programs. Effective work in a local context requires skilled staff who can facilitate rather than simply deliver activities. In particular work at community level where tangible outcomes are most likely to be produced[29], is resource intensive, requiring personnel to engage with communities and broker relationships between them and service providers.

***Recommendation Two***

***Future programs seeking to work in governance and decentralisation in Indonesia need to avail themselves of suitably qualified staff, whether these include DFAT employees or those available through contractors. The staff need to have core skills in change management, facilitation, cultural and social analysis and relationship building.***

Alongside this, the program intent needs to match the time available for program implementation. Government respondents to the ICR made it very clear that they considered AIPD had made important but unfinished contributions to an enabling environment for decentralisation. DFAT now have considerable experience in different approaches to decentralisation from LOGICA, ACCESS, ANTARA, and AIPD. Reviews of those programs have also pointed to the need for long-term engagement for effective outcomes in decentralisation. If DFAT intend to provide ongoing support to decentralisation in Indonesia in a way that contributes to effective service delivery it will need to consider how to maintain long-term programming. Otherwise the investments made will provide limited sustainable outcomes.

***Recommendation Three***

***DFAT should consider its rationale and aim for ongoing engagement in decentralisation in Indonesia. While decentralisation is an important process through which to influence service delivery it is a long term endeavour. Comprehensive outcomes are likely to take considerable time and will require investment across several levels of engagement (from National through to community). More focused investments will make a contribution but will not produce simple attributable and sustained results. DFAT needs to be clear about its intentions for decentralised engagement and the results it would consider worthwhile for the investment made.***

### Approach

AIPD was well placed, working from Central through provincial, district and community level. However it tended to focus mostly on supply-side interventions and gave more limited attention to demand-side strengthening. The findings suggest it also failed to realise the full potential of brokering between the two levels, using both knowledge and other processes to leverage change through a combined approach.

More recent research on effective decentralisation work in Indonesia suggests that focus on both demand and supply side interventions across different levels of government is an effective way to bring about change.[30] The same research suggests that it is important to plan activities that influence

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[29] World Bank research (2014) indicates that support for people in villages to have direct contact with service providers and to understand normative standards such as government sanctioned minimum service standards is a very effective way of changing service delivery.

[30] The research undertaken by Zhang and McRae (2015) indicates that using the legal authority of the central government and provincial governments is an incentive for district governments to respond and focus further on improving service delivery, however work then needs to be undertaken at the district government level to help them improve the quality of the implementation.

both the policy process as well is the substance of policies. With the introduction of the new Village Law the influence of village government and community is likely to increase, requiring new consideration about attention to demand-side interventions.

This suggests that future programs should mimic the AIPD program approach in working across various levels of government and community, but in a more balanced way, giving attention equally to demand and supply-side interaction. Once again this is in line with broader research undertaken by DFAT around good practice in decentralisation.[31]

For Indonesia specifically, this should be accompanied by ongoing analysis to understand how this interaction will change with the changing legislation, responsibilities and funding being introduced for village governments. A strong focus on brokering and leveraging change by understanding the interaction of different levels of government and government interaction with community and citizens is likely to be an effective approach to maximising outcomes.

***Recommendation Four***

***Future programs ought to be accompanied from the point of initial concept development, by a detailed program theory of change. This is likely to be iterative and dynamic, and should identify the several areas where knowledge is still uncertain or incomplete.***

### Knowledge management

The AIPD strategy for knowledge management was never fully utilised in the life of the program. As discussed earlier, it appears to have been reduced in the final stages of the program to knowledge sharing, largely with a focus on program achievements.

The program has more recently produced some useful knowledge products which could over time have been communicated widely in different forms to share program knowledge. Beyond these however the program's extensive in decentralisation, negotiating, facilitating and positioning to work with different levels of government and communities, is now largely lost with the program completion.

In the future, knowledge management should not solely be the responsibility of a small unit within a large program, but should be the business of the whole of the program. It requires a system whereby regular attention is given to staff reflection and analysis together with reflection from key stakeholders. Resources should be assigned to ensure this information is systematically recorded and then collated and communicated in forms for wider use. This should include use in the program itself, by other actors in decentralisation including government, other sectoral programs and beyond.

This type of process should be accompanied by ongoing formal research as well as routine monitoring and evaluation. While the three areas obviously overlap, without attention to the intrinsic program knowledge, a considerable amount of good quality learning will inevitably be lost.

***Recommendation Five***

***Future program designs ought to specify strategies and resources for management of knowledge alongside requirements for research production and for standard monitoring and evaluation procedures.***

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[31] ODE (….) 'Decentralisation analysis for investment decisions: practice note'

*Monitoring and evaluation*

AIPD has provided some very important lessons around monitoring and evaluation for governance programs. Program M&E based around generalised indicators tended to 'speak to itself'. That is, it does not make sense of program contribution in context or in comparison to the broader picture. Providing figures without context and without targets is meaningless. Providing a series of stories and anecdotes is good for communication purposes but otherwise contributes little to assessment and accountability processes.

Effective M&E systems start with a sophisticated program theory of change which identifies, in some detail, the program assumptions and the areas where program knowledge is limited. A comprehensive theory of change will give attention to cultural, social, economic and other differences in locations. It will provide a basis to work in an iterative way to develop improved understanding over time.

Experience suggests that this type of performance approach will need to operate at several levels, giving attention to activity at community \village levels, subnational government and other stakeholders and then program wide. The relationship between those levels will not be one where results can simply be aggregated against broad indicators. Rather, the approach will require assessment **adjusted to the context and intent at different levels**, using a sophisticated program theory of change to identify the relationships and interactions between these levels and how these in turn need to be assessed and tested over time.

The processes of data collection be based upon a mixed method approach, drawing from assessment through indicators as well as non-predictive assessment methods, to understand what change is possible, in what situations and towards what end. It will sit within a complex performance framework based on a mixture of monitoring data, real-time evaluation and some ongoing research, the bought together through sophisticated processes of analysis.

It is likely that processes of data collection, assessment and analysis would be undertaken with different stakeholders as part of engaging government and others in the process of learning to think critically and analytically about their contribution to change. The M&E thus becomes part of the governance approach, not an activity that sits in isolation from the work and separated from program management decision making.

The subsequent reporting is likely to produce several documents for different purposes. This might include summarised documentation of specific intermediate and process results made available for accountability to the Governments of Australia and Indonesia. It would also likely include more detailed assessment of progress and identification of challenges utilised by program management and other stakeholders to identify areas for change in strategy and approach. A further document that should be produced regularly would include analysis of lessons learned and information that can be shared across the program, with other DFAT programs and more widely. Finally drawing from this process, together with other sources of information, products might also be produced for communication purposes, enabling stakeholders and a wider audience to understand program intent, focus and achievements in a clear and accessible way.

***Recommendation Six***

***Future programs to support decentralisation should be underpinned by a performance approach which draws from existing research and knowledge about how to assess change in complex program environments. This is likely to require a multi-level performance framework that uses a***

*mixed methods approach and a strong framework for high quality analysis. It will be supported by a detailed program analysis which acknowledges the complex operating environment and allows for an iterative assessment approach.*

## A platform for other programs

AIPD tried, with limited success, to serve as a platform for whole of Australian government support in some provinces. Feedback from respondents suggested that this could be improved in the future through:

- Clear identification of outcomes to be achieved through program collaboration
- DFAT mandated requirements for implementing contractors to achieve those identified outcomes (linked to performance incentives and penalties)
- DFAT program management support for resourcing and opportunity for programs to meet and plan collaborative action
- A flexible focus which identifies the comparative advantage of particular programs in different locations and seeks to utilise the leadership of the most well positioned program to support a platform of work.

**Recommendation Seven**

***There is considerable merit in including collaborative program arrangements in future programs focused on improved service delivery in a decentralised context. This is likely to draw together both sector and governance programs in any given location to achieve shared outcomes. Program leadership should be delegated according to best fit in the context and the overall intent of the collaboration. Performance incentives and penalties need to be included in any contractual support provided for programs to ensure outcomes are achieved.***

## Program management

The AIPD program management experience provides some important lessons for the future. Direct DFAT program management has clear advantages particularly in ensuring programs are able to be flexible and responsive and adapt quickly to changing circumstances and opportunities. Similar to DFAT supported programs in other countries, governance programs in particular benefit from this flexibility and authority. However AIPD experience suggests that there are some risks with this approach, particularly that DFAT will be left with responsibility to both achieve outcomes as well as assess the value and quality of those outcomes.

AIPD experience suggests that if DFAT wants to maintain direct management of programs it needs to ensure some additional safeguards are implemented. Some more detailed attention to program contracting could address some of the issues. For example, in other programs where DFAT staff provide leadership, an operations manager employed by the implementing agency, who is responsible for effective program management, is used to complement the DFAT leadership role and allow for separation of accountabilities. In other locations, DFAT have a partnership arrangement with the implementing organisation, allowing them to have a close working relationship but to retain some distance from direct implementation; managing risks and maintaining contractual accountability.

In addition, AIPD experience suggests that in decentralised programs where considerable authority needs to be delegated to subnational locations, adequate resourcing needs to be applied to program controls and quality assurance. AIPD experience suggests that failure to do this is a false economy

and will lead to inefficiencies and potentially to problems with fraud and mismanagement of resources.

*Sustainability*

AIPD experience provides some useful considerations around the achievement of sustainable outcomes in service delivery.

As noted, the program review in 2013 was clear that the intended outcomes of improved service delivery were not likely to be achieved within the life of the program if a focus on systems reform alone was maintained. In response AIPD shifted to a problem-solving strategy, focused on achieving service delivery outcomes. The results observed by the review team suggest that this approach was used most effectively in Papua province. Government respondents at province and district level as well as respondents from Central government agencies, commented both on how quickly outcomes were being achieved in the province and the degree to which this approach was leading to tangible changes for people. But respondents also noted that the gains which had been achieved were fragile and would be difficult to maintain without further investment in change in systems and procedures.

In NTB province, in contrast, the achievements related more to changes in administrative and bureaucratic systems. These were considered to be important building blocks towards shifting those systems towards a service delivery focus, although still only first steps which needed to be reinforced by tangible outcomes at community level.

Taken together, these two examples suggests that sustainable service delivery outcomes requires a combination of strategies. This includes a focus on problem-solving leading to tangible outcomes, which both engages people and points to the systemic changes that are required. This should be combined with well targeted attention to reforming systems and organisational procedures in a way that engages management and leadership and leverages wider change across those systems.

3. *How effective was the targeting and choices of thematic issues? What can be learned for future programs*

The original focus on **public financial management** as the 'lever' for change was appropriate but insufficient. Comprehensive PFM[32] is a necessary part of effective service delivery in a decentralised context. But program experience, an as well as recent research[33], indicates that PFM is a far from sufficient determinant of service delivery. There are a number of other factors which need attention and these will vary with different contexts. As discussed above, future programs need to resist single issue focus if the intention is to impact sustained outcomes in a complex area such as service delivery.

The program focus on **open government** appears to have been an effective contribution to changes in government information being made available at provincial and district level. This is considered by respondents to be an important contribution of the program in those locations. As noted above the work in this area needs further development in order to address all of the outputs suggested for the outcomes desired.

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[32] PFM includes attention to budgeting, planning, allocation and monitoring and evaluation.

[33] The report "What Drives Local Service Delivery Performance in Indonesia?" Indicates that service delivery is determined by a range of features. Significantly the findings show that increased expenditure does lead to improve services but only up to a point. Other features are also necessary for sustained improvements in service delivery.

Support for communities to advocate to government and service units has been demonstrated by AIPD to be an effective strategy and one that could be retained in future programs. However program experience and other research suggests that engaging with media and working with local politicians are not simple tasks and require good analysis of the opportunities and the risks that may be involved. AIPD does not appear to have undertaken the analysis and assessment around these strategies, and little progress has been made in either to date. Future programs may need to think carefully about the value of such strategies against the resources required.

***Community-based programming*** has worked effectively in Papua province, but, as noted above, probably needs to be supported in the long-term by ongoing work to improve systems and capacities in order to institutionalise the changes that are achieved. In other words as a strategy it is effective but not able to be utilised in isolation from other work on systems and institutions.

Finally, the work in ***sector governance*** has been effective in some locations. In Papua the effectiveness seems to have been driven by a careful understanding of cultural norms and how to build mutual accountability within those norms. This is an important lesson across the whole of AIPD experience; that notions of accountability, service and responsibility are not neutral technical interventions but are themselves determined by culture, history and local interpretations. AIPD has been most effective where it has utilised its local understanding together with technical knowledge, to create the conditions whereby accountability, service provision and other notions are able to be operationalised.

Finally the review team was also asked to comment on the lessons are learned for future work in ***bureaucratic reform***. It is important to say that for the second phase of AIPD, bureaucratic reform seems to have been largely understood as part of the means towards the program long term intention of improved decentralised service delivery.

The experience from AIPD suggests that engagement with real issues and problems supported by good quality engagement with leadership and others committed to change, is a good basis from which to influence the Indonesian bureaucracy towards reform.

In Indonesia, given the hierarchical nature of the public service this requires engagement at the Central levels of government to ensure good quality policy, legislation and regulations and work at provincial and district levels in order to influence change in practice. With the new village law being introduced the engagement down to community level also seems to be a necessary step.

The lessons from AIPD suggest that a flexible and responsive approach is useful but that this must be utilised within an informed political understanding of the potential and opportunities for change. Further, good quality technical inputs are valued by the Government of Indonesia and contribute to improved systems but will not by themselves lead to reform of the systems. There is a need to be able to work an informed way to both introduce new ways of thinking and adapt local ways of operating. This requires future programming to be nimble and able to be adjusted to the opportunities and needs within differing contexts.

***Recommendation Eight***

***Future programming to support bureaucratic reform needs to avoid top down and single focus approaches. Future programming will need to draw from a range of strategies and combine this with high-quality and skilled program implementation staff or partners who have good understanding of the influences of culture, politics and context upon change processes.***

4. *How effectively did AIPD manage relationships with government partners? What can be learned for future programs?*

As discussed in the findings, AIPD worked very effectively to develop good relationships with Central government ministries, notwithstanding early difficulties. In particular it now appears to be in a good working relationship with the MoF and MoHa.

At the same time, it is recognised that considerable resources were utilised, mainly in provision of technical assistance, to facilitate and further these relationships. This may not be able to be sustained in future programming and suggests that strategies beyond provision of resources, need to be developed by those future programs.

At provincial and district level AIPD appears to have worked more effectively, finding local leaders committed to change and willing to work in partnership with the program. This included a shift to sharing program costs in some locations and also ensuring that program activities and outputs were reflected in future provincial and district budgets; thereby ensuring ongoing sustainability and ownership by governments. These simple strategies ought to characterise future program work with GoI.

## Conclusions

AIPD has been a program buffeted by changes in context, internal challenges and changing expectations. Despite this it can point to a considerable range of activities and well targeted outputs alongside some emerging good quality outcomes.

In addition the program offers considerable opportunity for learning, particularly about effective program implementation in decentralised environments. The Papua program provides good information around effective approaches to governance. The NTB program provides important lessons about working with local leaders and adapting program strategies into local situations.

At the central level AIPD has much to offer around how to develop effective working relationships across different ministries during times of change and differing political interests.

AIPD learning sits alongside the considerable knowledge from other programs that have supported decentralisation in Indonesia. These should be considered together in order to inform future DFAT support for this area.

At the same time, one of the key lessons from AIPD is that good and effective program implementation for governance is ***more easily described than undertaken***. Working effectively in political ways in complex environments has been comprehensively reviewed and discussed and this information has been available to AIPD and other programs for some time. The failure of the program to utilise such strategies in program management, program logic and M&E suggests that there is a tendency to revert to more traditional approaches in the absence of incentives and/or leadership to the contrary. More needs to be done to incentivise and require good quality governance programming. This should be reflected in programs and specifications moving ahead.

## Annex One: Review Plan

*Review Plan*

*April 2015*

*Introduction*

The Australian Indonesian Partnership for Decentralisation (AIPD) is an Australian Government program funded through DFAT. AIPD started in December 2010 and is scheduled to be completed in June 2015. The program focuses on support for the Government of Indonesia decentralisation program.

The original end of program outcome was:

> *Targeted local governments improve the allocation and management of resources for better service delivery of the basic services, especially in health, education and infrastructure.*

Following a significant programme restructure in 2013, the program focus shifted from improvement of Government systems, especially public financial systems, to a more deliberate focus on improved service delivery. This was accompanied by several changes in program structure, implementation and management.

As the program comes to a conclusion DFAT have commissioned an independent completion report (ICR) based upon external review. This document outlines the plan for that review.

*Purpose and objectives of the review*

The terms of reference for the ICR outline the following purpose:

To provide information for DFAT and main stakeholders on:

a.  AIPD key contributions towards improving the allocation and management of resources for better delivery of the basic services in the targeted locations;
b.  AIPD's effectiveness and efficiency in working within a widespread geographical locations, including in performing its role as the sub-national platform;
c.  Lessons learned related to AIPD accomplishment and/or contributions (or lack thereof) that are relevant for design of the new DFAT investment in decentralisation program.

The terms of reference also direct the ICR to give attention to implications for future programming, in particular:

i.    Strategic issues and areas of focus for future support in decentralisation;
ii.   Appropriate governance arrangement that may be relevant to the future decentralisation program;
iii.  Opportunities to streamline and/or implement bureaucratic reform issues within the new program.

*Elements for consideration*

Given the significant changes throughout the lifetime of this program, in particular what could be considered the two distinct implementation phases, there are a number of elements which need to be addressed in the review approach.

*Changing Indonesian context*

Over the life of this program the Indonesian Government has introduced a number of new laws and given greater attention to more effective processes and approaches to decentralisation. These

include a new bureaucratic reform law, accelerated reforms for the fiscal transfer system and a new national health insurance scheme. Recently the Government has also issued a new village law which has significant implications for fiscal transfer, service delivery and governance at the subnational level.

AIPD has worked hard to be responsive to these changes in Indonesian context. For example, as part of the program restructure in 2013, greater attention was given to working with central government agencies to support reforms and assist those reforms to serve improved service delivery. While this responsiveness has been a strength of the program, and one which Indonesian government respondents noted as being of value, it has also led to some difficulty in understanding program focus and coherence.

For the purpose of this review, it is important that the program responsiveness and adaptation to context is assessed. It is also important that Government of Indonesia officials have the opportunity to give voice to their assessment of the program value and their views about how well the program has adapted to meet changing country context needs. While some information has already being collected about central Government views, some further work needs to be undertaken to explore the experiences and views of Government at subnational level.

### *Australian Government aid policy*

Alongside a changing context in Indonesia, the Australian Government aid approach in Indonesia has also shifted throughout the life of this program. A significant aspect has been a much greater focus on service delivery and support for the implementation of front line services. This is in line with Government of Indonesia focus and aligns well with the results focus now characterising the broader Australian aid program.

While AIPD was always focused on contributing to improved service delivery, this sharper focus in the Australian aid program has been challenging for the program. A contribution to improving systems does not necessarily lead to a direct outcome of improved services. It is one necessary but far from sufficient element in a much broader web of required activities. In the first phase of the program therefore, it has struggled to identify its specific, direct contribution to service delivery.

For the purpose of this review it will be important to understand how far the program reorganisation and realignment in the second phase has allowed it to make a more direct and comprehensive contribution to service delivery, in line with Australian aid priorities.

### *Program theory of change*

The original program design was based on a clearly articulated hypothesis:

> *Improvements in public finance management by provincial and local governments will [over time] lead to better service delivery (quantity, quality, safety and equal access) to men, women, boys and girls in the community.*

Reconsiderations in 2013 indicated that while the program was making contributions to improved financial management at the subnational and central Government levels, this was not contributing quickly enough to measurable changes in the quality and delivery of services. As part of the program realignment at that time, attention shifted to facilitating service delivery. This was based on a new program logic that assumed a focus on service delivery would identify required activities and areas for change, which in turn would guide program and other stakeholder activity.

It is this latter program logic which will be examined in this review.

*Program strategy*

The original program strategy drew from previous Australian Government program experience to suggest that there were three key elements required for effective program outcomes. These included: a focus on supply, through building subnational governance capacity; a focus on demand, through information and capacity building of civil society; both complemented by a knowledge strategy which would ensure the flow of relevant and useful information to all stakeholders and the evidence base for replication of effective change processes.

In the second phase of the program, with greater attention be given to improved service delivery, the program developed what it called both short and long routes to this achievement. In order to bring about rapid changes in service delivery attention was given to service delivery units such as health centres. Activities focused on analysing immediate blocks to services being provided and attention was given to addressing were needed to change at sub national government level to overcome those blockages. In addition, connections were made with communities and civil society groups to both demand and support those immediate improvements.

At the same time, attention was given to the longer route of improved delivery with a focus on improving systems at both central and subnational governments, particularly around financial management but also with attention to other areas such as regulations and bureaucratic reform. While some of the work in the so-called longer route built upon earlier program strategy, it was nevertheless shaped afresh by a strong focus on improvements in service delivery.

The changes in program strategy have been relatively recent and therefore while there are examples of good outcomes at this time, particularly from the short route strategy, the overall effectiveness of the strategy is still to be realised. The program has recorded anecdotal examples of current successful outcomes. The review will give attention to verifying these as far as possible, and where possible adding to and extending the range of positive change stories. However, most attention needs to be given to the potential for long-term and sustained change introduced by this new program strategy. As far as possible the review will focus on identifying how well the elements for long term change have been introduced by this new strategy.

A further element that needs to be added to this focus is the degree to which results that are being achieved are scalable or replicable in other places in Indonesia. Insofar as it is possible, some attention needs to be given to both the actual and potential scalability of AIPD results.

*Platform for subnational service delivery*

AIPD was originally conceived as contributing to service delivery through improvements in Government systems and implementation, particularly around public financial systems. It was also intended to be a platform at the subnational level to facilitate the implementation of other Australian funded programs, especially those focused on health, education, law and justice, and infrastructure.

In reality it has been difficult for the program to provide the platform to facilitate the work of other programs. There are several reasons for this, and these need to be briefly identified. However, the main focus of this review ought to be on those areas where effective collaboration between AIPD and other Australian Government programs has contributed to improved service delivery. There appears to be good examples of this in the program collaboration with the Australian Government health and law and justice programs in Eastern Indonesia. The review should examine the lessons learned from these positive collaborations.

*Public financial management*

A key focus of AIPD has been working to support improvements in Government of Indonesia financial systems, in particular those systems focused on transfer of funds from central down to service delivery levels. Initial anecdotal evidence and discussions with Government of Indonesia people at central Government level suggests that AIPD has made a useful contribution to improvements in this area. However, public financial management and fiscal transfer is a complex area and what is less clear, to date, is how well-targeted program interventions have been and whether the realignment and refocus in the second phase has led to more effective interventions that in turn have supported service delivery outcomes.

It will be important for the review to give attention to this area. While it may be unrealistic to expect that results are available after such a short reorientation of the program, some attention to the quality of support, its focus and its relevance would be of value in assessing the potential for results.

*Subnational governance*

Alongside the focus on public financial management, the program has been engaged in various strategies and approaches to support capacity building and strengthening of subnational governance in Indonesia. There are a range of lessons from the work to date. These include the need for high-quality relationships and engagement, well targeted incentives, attention to risks and the need to bring together diverse but relevant stakeholders.

Some of these lessons have already been documented and the review can serve to highlight these. Further examination of the program engagement in governance at the subnational level should add to and complement the range of existing documented lessons.

*Demand and knowledge management*

It appears that most information about program achievements exists around its contribution to the supply side of decentralisation and service delivery. Less seems to be available to assess AIPD contribution to increased demand (and its subsequent contribution to improve service delivery). Further, there is information about the knowledge products that have been produced but limited information about the uptake and utilisation of these.

The review needs to give some attention to these two elements of the strategy, noting that they were given less attention and less resourcing overall in the program even within the post-2013 program phase.

*Gender*

AIPD has a dedicated gender strategy and anecdotal evidence suggests that there have been some particular outcomes in supporting gender budgeting and gender strategies at the subnational level. This is an important area to explore and the review needs to give some attention to program achievements and the further potential for change created through the AIPD approach to gender.

*Monitoring and evaluation*

The monitoring and evaluation approach for AIPD has been fraught. The original approach included a series of generalised indicators which made considerable assumptions about the significance of the contribution the program was able to make. Even in the second phase of the program the development and application of the monitoring and evaluation framework largely focused around measurement of indicators which themselves were high level and generalised across the program.

The program has very recently undertaken a series of knowledge products and evaluations which will contribute to better assessment of program outcomes. However, the bigger question is how

monitoring and evaluation of achievement and change in programs such as this should be undertaken. And further, what lessons are therefore available for future programs of support to decentralisation and service delivery in Indonesia.

The review will examine the AIPD monitoring and evaluation system for the purposes of identifying lessons and recommendations for future monitoring and evaluation.

*Methodology*

*Approach*

The independent review will focus on verification and triangulation of information to identify program results and lessons learned. The focus will be selective. Utilising data from a range of different sources and through a staged approach, the intention will be to investigate key elements of the program which are of value and interest to DFAT and other stakeholders.

Triangulation of both data and analysis will underpin the robustness of overall findings and recommendations. In addition, independent expert view on subnational governance and monitoring and evaluation systems will be brought to bear on those particular elements of AIPD. A further option to be considered is how far independent expert analysis should also be brought to assessment of the program contribution to public financial management systems.

*Key questions for the review*

The terms of reference identify four key questions to be addressed by the review. These can be further expanded given the elements explored above:

The priority questions identified by the terms of reference are:

1) What did AIPD achieve and to what extent did it contribute towards improvements of public service delivery in targeted locations? What were the key factors that hindered or helped?
    a. Includes consideration of achievements for service delivery at both central and subnational levels
    b. Includes consideration of actual results and the potential for further results based upon program approach and strategy.
    c. To what degree do the actual and potential results of the program provide opportunities for scalability and replication?
    d. How did the program improve gender outcomes in service delivery at the subnational level?
    e. In what way did the program provide an effective platform for subnational implementation of other DFAT programs? What results could subsequently be ascribed to this collaboration?
2) What aspects within AIPD remain relevant within the current environment and context, from both GoI and GoA perspectives?
    a. What can be learnt about the program theory of change and strategy developed in the second phase of the program?
    b. To what extent did the focus on public financial management, both through short and long term strategic routes of change, contribute to improved service delivery?
    c. In what way did the monitoring and evaluation undertaken for the program serve the purpose of identifying progress and learning? In what way can this be further improved?

   d. What other contributions did the program make to improved service delivery that remain relevant for future support to Government of Indonesia decentralisation and service delivery?

The lesser priority questions are:

3) How effective were the targeting and choices of thematic issues? What can be learned for future program?

   a. To what extent did the key program elements of supply, demand and knowledge management contribute to the observed and potential program outcomes?

   b. In what way was the second phase focus on bureaucratic reform, improved regulations and public financial management together with a service delivery orientation, effective in leading to program results and influence?

4) How effectively did AIPD manage relationships with Government partners? What can be learned for future program?

   a. Looking to the second stage of the program, what have been the most effective contributions to working with the Indonesian Government at central and subnational level?

   b. What are the lessons to be learned around future support for decentralisation, public financial management and service delivery?

   c. To what extent has the interaction between demand and supply assisted in effective working relationships with Government partners?

   d. To what extent did the knowledge products assist in effective working relationships with Government partners?

### *Data collection*

The review will be undertaken in several stages, in part to respond to practical opportunities but also in order to build the range of information required. It will include the following data collection opportunities:

**Documentation review:** a review of the documents will be undertaken in two stages. An initial review of program documents was undertaken to inform this review plan. Throughout April and May 2015, it is expected that a number of program evaluations and knowledge products will be completed. These documents will add significantly to the information about program actual and potential outcomes, and lessons learned. The review will utilise this additional information, scrutinising the underlying research quality in order to ensure that information is robust, and identifying where this adds to key areas of the review data. Given the program complexity and changes, reports from robust independent research will be an important source of information to inform the independent review.

**Stakeholder consultation:** a preliminary consultation with stakeholders has been undertaken to inform this review plan. This has focused upon the views and voice of central Government of Indonesia personnel as well as AIPD program staff and other DFAT program personnel. This consultation will be further extended by consultation with stakeholders at the subnational level. This will include consultation with Government staff as well as discussion with civil society partners and personnel from DFAT supported programs in those locations. The intention here will be to extend the information and available data about program outcomes and achievements as well as identifying

lessons learned. These consultations will also contribute to verification of information from the research reports and that received from stakeholders at the central level.

**Field observations:** while considerable information should be available from completed program documentation and stakeholder consultation, it will also be useful to undertake direct observation of results at the subnational level. There are currently some choices to be made about the most useful location for this field observation. The questions for consideration include the following:

- In which location has the program invested the most significant amounts of resources and attention?
- In which location has the program achieved the most effective collaboration with other DFAT funded programs?
- In which location has the strategy for both short and long term routes to service delivery led to the most effective outcomes (even if these are still to be fully realised at this point)?
- In which location are government and other partners most likely to have views and opinions which need to be given attention in order to support future effective partnerships?

It is expected that review of additional program researched accreditation will enable clearances for these questions and therefore the rationale for proposed field site locations.

**Expert analysis:** as suggested above, the adviser managing the review will be able to bring some external perspective on AIPD approaches to supporting subnational governance as well as systems of monitoring and evaluation and support for gender equity in the program. Using comparisons with other programs as well as international best practice some attention can be given to the actual and potential outcomes of the program and how well these have been shaped /undertaken throughout the life of AIPD.

Given the importance of public financial management to the intent and strategy of AIPD, a further option would be to utilise the services of an adviser with expertise in this area to undertake some additional examination of program outcomes at central and subnational levels.

**Contextual analysis:** given the changing context within which AIPD has been implemented it will be important to give some attention to the way in which that context has both limited and provided opportunities for program operation. This information is likely to be drawn from wider program documentation and consultations, alongside some review of relevant research.

The proposed framework for data collection is as follows.

| ICR key question | Areas for exploration | Data sources |
|---|---|---|
| 1) What did AIPD achieve and to what extent did it contribute towards improvements of public service delivery in targeted locations? What were the key | a. Includes consideration of achievements for service delivery at both central and subnational levels<br>b. Includes consideration of actual results and the potential for further results based upon program approach and strategy.<br>c. To what degree do the actual and potential results of the program provide opportunities for scalability and replication?<br>d. How did the program improve gender outcomes in service delivery at the | Documentation review, in particular review of completed independent research reports.<br>Stakeholder consultation at central and subnational levels.<br>Field observation |

| | | | |
|---|---|---|---|
| | factors that hindered or helped? | subnational level?<br>e. In what way did the program provide an effective platform for subnational implementation of other DFAT programs? What results could subsequently be ascribed to this collaboration? | |
| 2) | What aspects within AIPD remain relevant within the current environment and context, from both GoI and GoA perspectives? | a. What can be learnt about the program theory of change and strategy developed in the second phase of the program?<br>b. To what extent did the focus on public financial management both through short and long term strategic routes of change, contribute to improved service delivery?<br>c. In what way did the monitoring and evaluation undertaken for the program serve the purpose of identifying progress and learning? In what way can this be further improved?<br>d. What other contributions did the program make to improved service delivery that remain relevant for future support to Government of Indonesia decentralisation and service delivery? | Program documentation review. Stakeholder consultation at central and subnational level Expert analysis drawing on broad experience to review elements of subnational governance and monitoring and evaluation.<br><br>*Optional: expert analysis to review public financial management strategies and outcomes* |
| 3) | How effective were the targeting and choices of thematic issues? What can be learned for future program? | a. To what extent did the key program elements of supply, demand and knowledge management contribute to the observed and potential program outcomes?<br>b. In what way was the second phase focus on bureaucratic reform, improved regulations and public financial management together with a service delivery orientation, effective in leading to program results and influence? | Documentation review, in particular review of completed independent research reports. Stakeholder consultation at central and subnational levels. Contextual analysis |
| 4) | How effectively did AIPD manage relationships with government partners? What can be learned for future program? | a. Looking to the second stage of the program, what have been the most effective contributions to working with the Indonesian Government at central and subnational level?<br>b. What are the lessons to be learned around future support for decentralisation, public financial management and service delivery?<br>c. To what extent has the interaction between demand and supply assisted in effective working relationships with Government partners?<br>d. To what extent did the knowledge products assist in effective working relationships with Government partners? | Stakeholder consultation at central and subnational levels. Contextual analysis |

|  |  |  |
|---|---|---|
|  |  |  |

The stages of data collection and reporting will include the following:

**Stage one:** review of program management documentation and initial stakeholder consultation for the purposes of refining and informing the review plan (completed in March/April)

**Stage two:** review of independent research and additional program results documentation to prepare an interim independent completion report (May)

**Stage three:** field visit to subnational location to verify findings identified in interim report, consult with subnational stakeholders and observe actual program results. Preparation of draft final completion report which builds upon the interim report above (June)

**Stage four:** finalise completion report based upon feedback and further analysis from stakeholders (June)

This staged approach to data collection leading to several reports will provide for a rolling process of analysis that in turn can be checked and further verified by DFAT stakeholders. This will further strengthen the approach to triangulating data and analysis as the basis for the review.

*Limitations*

As noted above, while this review will draw from a range of sources of information including independent research reports, it will not itself be able to undertake original research beyond observation and consultation. The review process has been spread over an extended timeframe in order to accommodate when material will be available, but the actual time available to consult with the stakeholders and observe results on the ground is limited (with proposed brief visits to one or two of the subnational locations where the program has operated). Together these limitations mean that conclusions and recommendations from the review need to be treated with some care.

*ICR team*

The independent review will be undertaken by one person with experience in subnational governance, program design, gender and monitoring and evaluation. This expertise will ensure some good focus on program strategy and approach as well as attention to specific programme areas including governance, gender and performance assessment.

The independent reviewer will be supported by the DFAT program manager.

As noted above an option would also be to utilise the services of an expert in public financial management to provide expert review and commentary upon AIPD contribution to government of Indonesia systems.

*Timelines and reporting*

The revised timelines for the review indicate the following:

- Preparation of revised review plan: end of April
- Interim report completed: end of May
- Second in-country mission and aide memoire completed: 17-24 June
- Final draft report: 29th June

## Annex Two:

## People consulted for the ICR

| Name | Organization |
|------|-------------|
| **Consultation with DFAT Indonesia** | |
| Nicola Nixon | DFAT |
| Jean-Bernard | DFAT |
| Wita Krisanti | DFAT |
| Helen Chenney | DFAT |
| Eko Setiono | DFAT |
| Petra Karetji | DFAT |
| Nat Cohen - Frontline services | DFAT |
| Health program | DFAT |
| HIV AIDS program | DFAT |
| AIPEG program | DFAT |
| **Consultation with AIPD implementing team** | |
| Shelia Town Senior - Operations Manager | Cardno |
| Jessica Ludwig Maaroof – Program Director | DFAT |
| Ira Martina Drupady – Change Management | Cardno |
| Pak Wahyudi | Cardno |
| Sugeng Prayudi - M&E team leader | Cardno |
| Popy Purnama – M&E team | Cardno |
| **Consultation with National Government officials** | |
| Pak Wariki - Director of Bappenas Regional Autonomy | Bappenas |
| Ahmad Yani - Secretary, Directorate General of Fiscal Balance | Ministry of Finance |
| Dr Yusharto Huntoyungo - Head of Centre for Management of Overseas Cooperation | Ministry of Home Affairs |
| **Papua Mission, 15-16 June 2015** | |
| DR. Muhammad Musaad | Head of Bappeda.Papua Province |
| Ted Weohau,  Program Director | DFAT |
| Ellva Rori Assistant to Program Director | AIPD,  Papua |
| Yeni,  CSO Officer | AIPD, Papua |
| Hilda Assistant to Program Director and Knowledge Manager | AIPD,  Papua |
| Daniel, PFM Officer | AIPD Papua |
| District Facilitator | AIPD Papua |
| Project Officer | LANDASAN,  Papua |
| Armin, SH., MH. | KIPD, Papua Province |
| Adriani Wally, SST | KIPD, Papua Province |
| JoelBetuel Agaki Wanda, S.S | KIPD,  Papua Province |
| Dr. Agustinus Salle | Head of Keuda Uncen |
| Benyamin Arisoy - Head of BPKAD | Papua Province |
| Mathius Awoitauw, SE. MM -Head | Jayapura District |
| Khairul Lie - Head of Health Office | Jayapura District |
| Alfious- Head of Education Office | Jayapura District |

| Basri - Head of BPMPK Office | Jayapura District |
|---|---|
| Wemfrid Wally Village Head | Nendali Village |
| Cadre Responsible for SAIK | Nendali Village |
| Midwife - Polindes Moriarty | Nendali Village |
| **NTB Mission, 18-19 June 2015** | |
| Anja Kusuma - Program Director | AIPD, NTB |
| Yusron Hadi - Secretary of Bappeda | NTB Province |
| Sharudin - Head of Social Planning Division of Bappeda | NTB Province |
| Karim Marasabessy - Head of Evaluation Division of Bappeda | NTB Province |
| Baiq Rusmiaty - Head of Economic Planning Division of Bappeda | NTB Province |
| Syamsudin - Head of Spatial Planning Sub-Division of Bappeda | NTB Province |
| Muhammad Nur - Head of Governance Sub-Division of Bappeda | NTB Province |
| Sigit Catur Prasetyo - Head of Statistic Division of Bappeda | NTB Province |
| Junaidi - Head of Provincial Health Office | NTB Province |
| Ismet - Head of Health Program Planning Division | Provincial Health Office, NTB |
| Tri Budiprajitno- Head of | Organization Bureau, NTB, Province |
| Ratna- Head of Anforjab Division | Organization Bureau, NTB Province |
| Burhanuddin Head of Procedure Division | Organization Bureau , NTB Province |
| M. Ilham - Head of Secretariat of SIP-PPID | NTB Province |
| Dr. H. Baehaqi, S.Si,M.Pd,MM- Head Bappeda | West Lombok District |
| H. Fauzan Khalid, S.Ag, M.Si - Vice Head | West Lombok District |

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- AIPD Landasan
- Freedom of Public Information
- Greg Moriarty Health Post Meeting Healthcare Needs of Nendali Villagers in Papua
- Institutional Strengthening
- Optimistic Smiles from Trenggalek
- Rev Complaint Handling Mechanism Accelerates the improvement of Public Services in dr Soedono Hospital
- Sweet Success of Advocacy
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# Annex Three: 2014 Program Results Chain

*Yellow* indicates partial achievement. *Green* indicates achievement.

## Open Government

1. Local Governments are more transparent in providing information related to public finance and health and educaiton services

2. Civil Society members identify and convey their service needs to the service units

- 1 Information commissions are effective in handling information disputes
- 2. Information officials (PPID) are applying public information systems
- 3. Data Centres are established and have information and development data for the public

- 1.CSO networks have the capacity to do budget analysis
- 2. DPRD members use recess mechanisms to assimilate communities' aspirations
- 3. The media produces various publication models on public finance and service delivery issues
- 4. Community Groups (eg. community centres, school committees) have the capacity to access the information and monitor services at the service units
- 5. Village volunteers in Papua and West Papua are actively taking part in village planning, activity implementation, monitoring and evaluation and reporting in village development

## Sector Governance

3. Service Units have improved service delivery management

- 1. Service Units have improved capacity in developing planning, budgeting, management of service systems, asset management and reporting.
- 2. Service Units have developed public information disclosure systems

## Resource Allocation and Management

4. Local Governments have allocated sufficient budget allocations to health and education sectors to support service units

5. Local Governments spend their health and education sector budget effectively with accountability

- 1. Local Governments have integrated Minimum Service Standards (MSS) and Gender Mainstreaming in various planning and budgeting documents
- 2. Local Governments are applying the Medium Term Expenditure Framewrok (MTEF) in their planning and budgeting documents

- 1. Local Governments are using online procurement systems
- 2. Local Governments are applying various regulations related to public financial systems and procedures, Service Units as semi-business units ?(BLUD), and asset and logistic management
- 3. Education and Health Offices asset data is consolidated in the Local Governments' balance sheets / statements
- 4. Local Governments have established a system to evaluate budget spending acceleration
- 5. Local Governments' are producing quality financial reports in a timely manner

## Community Based Services

6. The target Village Governments in Papua and West Papua have developed planning and budgeting that reflect village prioirities

- 1. The target Village Governments have established a village information system (in Papua, West Papua & NTT)
- 2. The target Village Governments in Papua and West Papua have the capacity to develop various village planning and budgeting documents
- 3. Village Governments produce village regulations for improving health and education services.

## Central Government Interventions

7. MoHA, MoF and Bappenas consider AIPD as a strategic partner in developing various regulatory frameworks concerning decentralisation and public services

8. MoHA, MoF and Bappenas utilize AIPD 's inputs when developing various regulatory frameworks in decentralisation and public services.

- 1 AKLN functions effectively to share knowledge among AIPD's partner ministries
- 2. AIPD produces various inputs / studies to support the implementation or improvement of various regulations related to Special Allocation Funds (DAK), Minimum Service Standards (MSS) and public

- 1. Ministries are monitoring MSS implementation
- 2. Ministry of Home Affairs produces parliament performrance assessment instrument
- 3. Government (Central and Regional) are utilizing regional financial management information system (SIKD) to provide data for planning, budget implementation, management, monitoring and reporting.
- 4. Ministry of Finance and Home Affiars are utilizing the regional financial management modules
- 5. Ministry of Finance utilizes the application to support transparency of information regarding fiscal trasnfer from central to local governments