Australian – Indonesia Partnership
Revitalising Indonesia's Knowledge Sector for Development

Diagnostic on Evidence-based Public Policy Formulation under Decentralisation

Paul M. Sutmuller and Ivo Setiono
30 April 2011

Table of Contents

Preface

This report is the result of a study on evidence-based public policy formulation under decentralisation responding to the terms of reference:

- Conducting a macro assessment of the knowledge sector for regional trends and where the provincial / local governments fit into them, including the influence of political parties, impact of greater sector autonomy, central government directives and funding;
- Conducting a review of the policy making process at province and local levels to identify demands as well as constraints on demand for better analysis and empirical evidence on policy, and what impact these constraints will have on efforts to develop a healthy indigenous knowledge sector in Indonesia; and
- Providing a set of recommendations for the Government of Indonesia and AusAID that presents options to improve the supply, demand and linkages within the knowledge sector for better public policy formulation at regional level.

This study was commissioned by AusAID and BAPPENAS and was undertaken in February – April 2011.[1]

We would like to express our sincere gratitude to Mr. Pungky Sumadi, director for social protection of BAPPENAS, for his guidance and full support during this study.

The study has extremely benefitted from contributions of project managers from different donor agencies, in particular AusAID, USAID, GTZ, UNDP, ADB and World Bank.

We are also grateful for the fruitful discussions with government officials, members of parliament, representatives from universities, business community and civil society organisations in the provinces, cities, regencies surveyed and included in the case studies (West Sumatera, Lampung, East Java, South Sulawesi, Gorontalo, Papua and West Papua provinces; the cities of Solok, Pangkalpinang, Bandar Lampung, Gorontalo and Pasuruan; and the regencies Solok, Pesawaran, Bantaeng, Gowa, Maros, Gorontalo, Bantul, Lamongan, Dompu and West Sumba).

We are equally grateful to the above mentioned provincial, city and regency governments for all the policy documents and supporting documents they most willingly made available for review and assessment. Their openness and enthusiasm during the discussions (sometimes till late at night) was extraordinary.

We would especially like to thank Muhammad Ikhsan, Achmad Tamrin, Darianus Tarigan, Ferdinand, Sri Lestari Utami and Karin Stibbe for voluntarily conducting surveys.

Jakarta, May 2, 2011
Paul M. Sutmuller, Decentralisation and Public Policies Expert
Ivo Setiono, Research Assistant

Executive Summary

Ten years after the introduction of regional autonomy in Indonesia, this diagnostic looks into process of local public policy formulation and implementation, how far those local public policies are evidence-based, what are the demands and supply of regional governments' need for improved sources of policy knowledge and the incentives and disincentives for greater use of knowledge by policy makers.

Following the decentralisation of a wide range of affairs to regional (provincial, city and regency) governments in Indonesia there were expectations that local public policies would be more based on local knowledge and wisdom and that public services would be better and more responsive to local needs.

This diagnostic starts with drawing up the context, the intentions and expectations of regional autonomy, the affairs that were transferred to the regional governments, with or without the financial and human resources needed. An overview is provided of laws, regulations, directives and manuals that should guide regional governments in preparing and implementing public policies.

While formal rules for regional autonomy are set by the Government through laws, regulations and directives, there are also informal rules that come from the culture, history, experience, from Government but also from regions, provinces, communities. The combination of the formal and informal rules determines behaviour and therefore outcome. Indonesia being a vast archipelago of different culture, habits and level of experience, it is not surprising that many regional governments are unhappy with the uniform and very prescriptive rules for implementing regional autonomy. Each region (group of local governments) is unique and economic and social outcomes hence experiences are different. There is no "one size fits all".

A survey in 21 regional governments, case studies in 11 local (city / regency) governments, interviewing more than 200 people (representatives from the Executive, the Legislative, universities, business community and civil society) and reviewing more than 100 local public policy documents, resulted in the identification of the following core issues related to local public policies:

(1) The uniformity and detailed prescriptive government directives reduces creativity and innovation by regional governments in formulating their local public policies;

(2) The discretionary funds (general grants) made available to regional governments are in most cases just enough to pay for the operations of local government, their own revenues from local taxes, fees and charges being too small. Most local governments consequently are dependent on conditional grants for development, which prescribe the use of these funds, and only incidentally coincide with local needs and policy priorities;

(3) For long-term and medium-term policy plans local governments allocate a budget that allows hiring consultants to undertake research and prepare the plan. For sector strategies, annual plans and budgets local government do allocate little or in most cases no budget and formulates those policy plans in-house, without external support;

(4) There is no habit of involving stakeholders (practitioners, experts, universities, business community, civil society) and thus not accessing and benefitting from their knowledge in the policy formulation and policy decision-making process;

(5) Sector strategies tend to be copy pasted from national sector strategies (mostly because of the dependence on sector funding) while annual plans and budgets tend to be copy-pasted from previous years plans and budgets, without evaluating the effectiveness of policy and plan implementation;

Diagnostic on Evidence-based Public Policy Formulation under Decentralisation

Evidence-based public policies are meant to be drawn on careful data collection, experimentation, and both quantitative and qualitative analysis to answer three questions: What exactly is the problem? What are the possible ways to address the problem? And what are the probable impacts of each solution? It is fair to assume that politicians will in addition ask what political and social benefits the options will have.

By questioning whether the public policies were research-based and or evidence-based, the case studies identified the following conditions:
   (1) The overall working culture within the bureaucracy makes civil servants waiting for instructions, pleasing the boss, afraid to take initiatives, and allows an attitude of better to have bad public policies than violating the formal and informal rules;
   (2) A lot of statistical data is available, each agency having its own (different) data, not validated, not easy accessible, and one agency not trusting data from another agency;
   (3) There are annual budget targets, which creates a spending attitude, results in a lack of interest in outputs and outcomes, and consequently no interest to evaluate results;
   (4) There is no review of public policies and plans, no quality control; good public policies are not appreciated and bad public policies have seemingly no consequences;
   (5) Some elected leaders are not interested in research-based or evidence-based policies, they favour instant solutions, and want to spend more on tangible hardware (roads, bridges, buildings) and less on software (research, capacity development, services).

While a majority of the public policies may not have been research-based and or evidence-based, it makes it even more interesting to know, how is it possible that some local governments or local government agencies do have research-based and or evidence-based public policies. What makes them different from others, what triggered the eagerness for better public policies?
   (1) The health and education sector agencies are more used to collecting and analysing data and searching for evidence to improve their policies. They may not be perfect, but in general more research-based than the public policies of many of the other sectors;
   (2) An elected leader who is visionary and brave, willing to do things differently, and who encourages his staff to be creative and innovative, will result in sector agencies searching for the cause of problems and for more research-based solutions;
   (3) A capable head of a planning agency (the think tank for most public policies) is more likely interested and motivated to develop quality public policies, and when the financial resources permit to collect as much as possible data and evidence in preparing future public policies;
   (4) Professional head of sector agencies are far more interested and feel far more responsible for their sector, than their non professional colleagues (results of continuous mutations) and will with little motivation search for the cause of problems and develop public policies backed up with as much data and evidence as possible;
   (5) When better public policies provides better access to funding, local governments will allocate funds for better preparation of public policies; and when better performance of a civil servant is appreciated (performance-based incentives), many more civil servants will put an extra effort in preparing research-based or evidence-based public policies.

When the demand for knowledge, data, and research can be triggered to support more evidence-based public policies, comes the question of supply. The case studies show that many sector agencies are not aware of their knowledge needs, have difficulties in identifying development constraints, in articulating policy issues, in defining the knowledge needs and estimating the cost for research, difficulties in securing a budget or allocating too small budgets for quality research, resulting in disappointments, thus reducing the already limited interest for research.

Substantial up-front investment (motivation) will be needed to trigger the demand for research-based and evidence-based public policies.

There are state research centres, but they basically only serve departments, there are provincial research centres, but they basically only serve provincial government, while most of the local research centres either have disappeared or merged with the planning agency. They all face capacity problems in terms of human resources (capable researchers) and financial resources.

There are provincial research boards, and in some places external and internal expert teams, but they did not constitute effective suppliers of knowledge for research-based public policies. So apart from the limited in-house capacity local governments are largely dependent on local universities to supply them with knowledge, support them with research, to identify research-based solutions to local problems and to evaluate the effectiveness of public policies. Local universities have the (potential) capacity and the local knowledge to undertake necessary research and supply policy-makers with the necessary knowledge; they are however facing some constraints:
(1) The limited budgets make it difficult to deliver quality research, forcing the use of more secondary than primary data;
(2) Researchers are particularly weak in writing concise and fancy reports, conducting lively policies debates, resulting in low recognition for research;
(3) Procurement procedures don't allow state universities to join public tenders, except if their research centres are registered as business entities. So far local governments procure the services of individual researchers thereby not benefitting from the multi-disciplinary knowledge and capacity of the research centre, and limiting the research centre's ability to monitor, review and improve research results.

Finally the conclusion of this diagnostic includes a set of recommendations:
(1) Use the network of ongoing local government support programmes to promote:
   a. Awareness building about the importance of evidence-based public policies (*stop repeating and copy-pasting non effective public policies*)
   b. Independent evaluation of public policies
   c. Inclusive processes of identifying development constraints and policy issues, and assistance with preparing TOR and estimating cost for quality research,
   d. Identification and distribution of examples of evidence-based local public policies, and best practices such as pro-poor planning and budgeting
   e. Validation of numerous sector data and establishing data banks
   f. Bappeda's capacity building in coaching and monitoring quality public policies
   g. Bappeda's capacity building in procurement of knowledge and research
(2) Lobby for national departments' support for:
   a. A competence based system of nominating heads of local government agencies
   b. A performance-based incentive system, rewarding civil servants for their actual performance
   c. A quality-based sector funding system (DAK), rewarding local governments for quality sector strategies
   d. A research fund, allowing local governments access to funds for quality research
(3) Use local universities as they have the potential, the local wisdom and knowledge, and
(4) Establish and use a network of regional / big brothers universities to coach and network with local universities and local planning agencies, and support them with:
   a. Identifying priority policy needs, collecting research done, establishing data banks and allowing them to become knowledge centres,
   b. Improving analytical methods, writing skills, producing quality / fancy documents and conducting policy debates
   c. Examining possibilities to establish research centres as business entities in state universities and coach them through local governments' procurement processes.

"Face the facts and be committed to fact-based decision making"

I.   Introduction

Indonesia like other developing countries embarked at the beginning of this millennium on the path of democratisation and decentralising a wide range of responsibilities from central to lower level governments. Apart from foreign affairs, defence, security and monetary affairs, basically all government affairs were transferred or shared with local governments and thus, well prepared or not, were given huge responsibilities to manage their own affairs.

An important pre-condition for the successful implementation of regional autonomy is the development of key capacities within local government and their partners to formulate and implement appropriate, locally-specific and targeted public policies, as well as evaluation of public policies, to improve future policies, plans, budgets and service delivery.

Local government are made responsible for public administration, health services, education services, social services, economic development, improving the welfare of the population, providing them with social security and preserving the environment. Five years after the introduction of regional autonomy Bappenas together with the World Bank and UNDP made an assessment on whether public services under decentralisation were better and did respond to local needs, with the answer being, they did not. Policy adjustments were made and resulted among others in the development and introduction of minimum service standards in Indonesia.

Now ten years after the introduction of regional autonomy, it is timely to assess whether local public policies are effective, whether they are research-based and or evidence-based. Progress has been made in furthering local democracy by introducing the direct election of local leaders by the local population, but this may very well also have introduced political predominance over the endorsement of local public policies, without the guarantee that local development issues will really be addressed. Politically acceptable public policies does not automatically mean effective, affordable or otherwise viable.

The basic reason for basing public policies on evidence instead of trust / belief is to provide taxpayers an acceptable return on investments made by the government on their behalf. Without objective measurement of reach, impact, cost effectiveness and unplanned side effects, how can local governments know when it is time to pull the plug? Local governments must ask themselves the fundamental question: *Will the policy work*? Maintaining, repeating previous year's programme, copy-pasting non evidence-based policies is basically irresponsible.

After successfully addressing the service delivery issue five years ago (although work is still in progress) it is now time to address the local public policies issue. It is urgent not at the least because of the greater efficiency in using limited resources. The cost and lost opportunities of public policies without rigorous monitoring and evaluation are high in all cases, and they are in particular high in health, education and social services. Local governments will also remain dependent on central government if they cannot generate their own revenues, if they cannot stimulate or boost the local economy, reduce unemployment, and reduce poverty, which will only be possible if they chose to apply evidence-based economic policies.

In many other developing countries the use of evidence-based policies is gaining momentum and is bearing its fruits. Linking evidence-based policies to the access of sector funding has in particular had very positive effects, triggered eagerness to develop research-based policies, use evidence-based policies, and has overall triggered eagerness to knowledge, search for best practices, and search for the best solutions.

II.   Structure and Methodology

The purpose of this study, diagnostic, is examining the knowledge – to – policy transfer realities and opportunities at the decentralised, i.e. province, city, regency level. To do so, this study looks at demand for knowledge in support of local public policies, and therefore looks into the public policy formulation and decision making process and at the accessibility and supply of knowledge in support of local public policies.

The methodology followed, include:

- Reviewing local policy documents, their analytical supporting documents, and the central government instructions / directives that guide local policy formulation processes;

- Interviewing project managers of national (and donor agencies') programmes that have a direct relationship with local government public policy formulation and capacity building (including the review of reports on lessons learnt from those programmes);

- Surveying local government habits and constraints in public policy formulation, their demand and constraints for better and empirical evidence based policies, and their demand and access to knowledge; and

- In depth case studies, through interviews and focus group discussions with senior policy makers (including parliamentarians), universities, think tanks, experts, civil society organisations and business community in a selected number of local governments.

Indonesia has 33 provinces with 5 having a special status (Aceh, Jakarta, Papua, West Papua and Jogjakarta) and 491 local governments (398 *Kabupaten* and 93 *Kota*), a number that continues to increase as decentralisation and the financial support that is attached to it has triggered the push for secession of local territories. The 524 regional (provincial and local) governments are all different, not only in terms of size and population, but also in terms of available natural resources, economic potential, culture, habits, local wisdom and knowledge.

While a representative sample of local governments may require a diagnostic of about 25 local governments (5% of 500), or 8 in Sumatera, 5 in Java, 3 in Sulawesi and 2 in each Kalimantan, Nusa Tenggara, Maluku and Papua, both time and financial resources do not allow such a sample.

This diagnostic surveyed six provinces, five cities and ten regencies and undertook in depth case studies in four provinces, four cities and seven regencies. The local governments were selected taking into consideration, size of the local government (population), socio-economic conditions (GDP, main economic activities and poverty levels), different political spectrum (main political parties), availability of research capacity from universities, availability of research capacity from non government organisations, availability of media, earlier or ongoing donor support or not, and accessibility from provincial capital.

The selected local governments for surveys and case studies were:

Province	Survey	Case Study
West Sumatera Province	Provincial Government, Solok City and Solok Regency	Solok City and Solok Regency
Bangka Belitung Province	Pangkalpinang city	
Lampung Province	Provincial Government, Bandar Lampung City and Pesawaran Regency	Bandar Lampung City and Pesawaran Regency
Gorontalo Province	Provincial Government, Gorontalo City and Gorontalo Regency	Gorontalo City and Gorontalo Regency
South Sulawesi Province	Provincial Government, Gowa Regency, Maros Regency and Bantaeng Regency	Gowa Regency, Maros Regency and Bantaeng Regency
DI Jogjakarta Province (Special Territory)	Bantul Regency	
East Java Province	Pasuruan city and Lamongan Regency	Pasuruan city and Lamongan Regency
NTB Province	Dompu Regency	
NTT Province	West Sumba Regency	
Papua Province (Special Autonomy)	Provincial government	
West Papua Province (Special Autonomy)	Provincial Government	

This diagnostic takes into account other studies done within the same context, such as Stephen Sherlock's study on regulatory obstacles to the growth of a knowledge market, Greta Nielsen's comparative experience study of middle income countries, John McCarthy and Rustam Ibrahim review of social science capacity building support to Indonesia's knowledge sector, and Sudarno Sumarto's history and lessons learnt from the SMERU research institute.

The next chapter, chapter III present an overview of the context within which evidence-based public policy formulation should be placed. It explains the intentions and expectations of governance, regional autonomy and decentralisation as well as the guiding principles, government guidelines and directives for formulating public policies.

Chapter IV provides an overview of the findings of the survey and the results of reviewing documents and the in depth case studies. It presents the realities on how regional autonomy is appreciated and interpreted, how public policies are formulated, what influenced public policy decision-making process, the incentives and disincentives for local governments to prepare better and evidence-based policies, their demand and access to knowledge and the incentives and disincentives for research centres to produce quality analytical work.

Based on the survey and case studies' findings, chapter V and VI identify the trends in respectively the public policy formation process and the demand for and supply of knowledge.
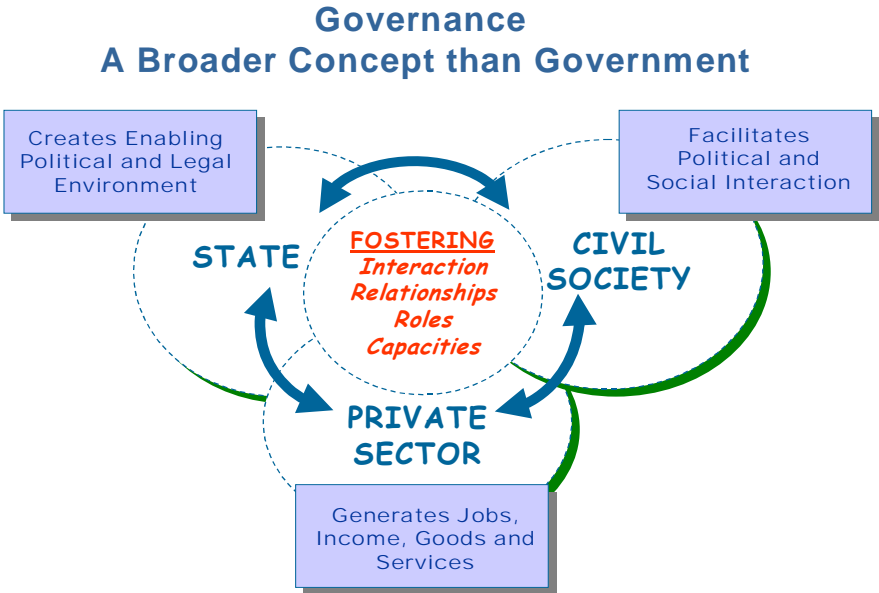
The last chapter, chapter VII summarises the constraints and opportunities in public policy formulation and in the knowledge sector, and recommends options for Government and AusAID consideration.

III. Context

1. Governance

Following the fall of the Suharto regime, Indonesia has experienced tremendous economic, social and political changes. The onset of the financial and economic crisis in 1997, and the social and political crisis which followed in its wake, made clear that the manner in which corporate and public governance had been conducted in Indonesia, especially since the mid '80s, had weakened the resilience of the systems that were in place. Key actors of central government saw a window of opportunity to put in place a new governance framework. The high mark of this initial reform effort was the enactment in May 1999 of law 22-1999 (on regional governments) and of law 25-1999 (on fiscal equalisation). As a result of these laws, and especially since the start of their implementation in the regions as of 1 January 2001, the cities and regencies have been given more opportunities, and carry a much greater responsibility for their governance than they ever held before.

Strong, centralised governance in Indonesia in the past has meant that governance was seen as almost exclusively a concern for the state. Civil society and the private sector were placed in subordinate positions. The weakening of central government has made it possible for civil society and the private sector to interact on a more equal footing with the state, but the mechanisms for constructive interaction between the parties are still rather weak. The reluctance to cooperate may also not have evaporated completely, and there may often be a lingering suspicion of less-than-good intentions from the other parties which can result in overly defensive attitudes. Governance is an integrated concept of the machinery of the state and the interaction between the clusters of key players (state, civil society and private sector) that make the state run.

Governance
A Broader Concept than Government

Creates Enabling Political and Legal Environment		Facilitates Political and Social Interaction

STATE   FOSTERING *Interaction Relationships Roles Capacities*   CIVIL SOCIETY

PRIVATE SECTOR

	Generates Jobs, Income, Goods and Services	

All three are critical for sustaining human development. The state creates a conducive political and legal environment. The private sector generates jobs and income. And civil society facilitates political and social interaction, mobilising groups to participate in economic, social and political activities. If each can and is capable to contribute its part to the machinery it will produce good results. Because each has weaknesses and strengths, a major objective of creating good governance is to develop constructive interaction among all three. A constructive interaction requires clarity about each other's role and the trust in each other along with the

capacity to interact. Trust needs to be built along values such as participation, transparency, equity and accountability. Capacity needs to be built in terms of awareness of rights, having access to information and knowledge and providing mechanism for disputes.

2. Decentralisation

Through decentralisation, a wide range of responsibilities have been transferred from central government to provincial, city and regency governments. The law on regional governments defines decentralisation (desentralisasi) as the transfer of governmental authority by the government to autonomous regions to manage and administer governance in the Unitary State of the Republic of Indonesia. The same law defines regional autonomy (otonomi daerah) as the right, authority and obligation of the autonomous region to organise and manage their own affairs and interests of local communities according to the laws and regulations

With regional autonomy comes the right for provincial, city and regency governments to regulate and manage their own government affairs, to elect their own regional leaders, to manage public administration, to manage local finance, to raise taxes and levies, to obtain a share of the results of natural resource management, and to have other sources of legitimate income.

With regional autonomy comes also the duties for provincial, city and regency governments to protect the society and maintain national unity, to improve the quality of communities' life, to achieve justice and equality, to preserve social and cultural values, to provide education services, health services, social services and general facilities, to develop social security, to manage spatial planning, to develop resources of economic productivity, to preserve the environment, to manage the public administration and to establish and implement regional policies and regulations.

For the implementation of regional autonomy Government issued several Government Regulations, such as PP 38-2007 defining the division of affairs among levels of government, PP 41-2007 defining local government organisations, and PP 50-2007 defining the relationship between local governments. National government affairs include political affairs, foreign affairs, defence, security, justice, monetary affairs, national fiscal affairs and religion. All other affairs are delegated or shared with provincial, city and regency governments.

Compulsory **Affairs**	_Chosen_ **Affairs**
Education; Health; Public works; Housing; Spatial planning; Land management; Development planning; Environment; Transportation; Communication and information; Investments; Cooperatives and small / medium business; Employment; Social affairs; People and village empowerment; Family planning and family welfare; Women empowerment and child protection; Culture; Youth and sport; Food security; National unity and domestic politics; Local autonomy, public administration, financial administration, personnel and coding; Population and civil registration; Statistics; Archives; Library	_Agriculture (incl. plantations and livestock); Forestry; Energy and mineral resources; Marine and fishery; Trade; Industry; Tourism; and Transmigration (migrant workers)._

Twenty six of those affairs are so-called compulsory affairs and another eight affairs are so-called affairs of choice.

The government affairs have been delegated along with financial resources, transfer of facilities and infrastructure and staffing. Whether this applies for both the compulsory affairs and chosen affairs is not clear.

It is up to the provincial, city and regency government to organise its own affairs, or to assign some of these affairs to a lower level government

(from province to city / regency, and from city / regency to village government).

This diagnostic will take a look at the public policy formulation process for a selection of eight compulsory affairs (education, health, development planning, people and village empowerment, women empowerment and child protection, social affairs, employment, and cooperatives and small / medium businesses) and all eight chosen affairs. Formulation of public policies related to those affairs is a joint responsibility of the Executive and the Legislative.

The Executive of provincial, city and regency governments is headed by a directly elected regional government leader (governor, mayor, regent) with a directly elected deputy and the regional government apparatus is managed by a regional secretary (*sekretaris dearah*) and comprises in addition to a regional secretariat (*sekretariat daerah*), a planning agency (*bappeda*), sector agencies (*dinas*), offices (*biro* or *kantor*) and bodies (*badan*). Civil servants are part of a national civil servants system, but paid by the regional government and via their unit heads and the regional secretary responsible to the elected regional leader. Appointment, mutation and termination of civil servants is the authority of the elected regional leader, but for head of local agencies, offices and bodies requires endorsement of the governor in case of city and regency governments and of the minister in case of the provincial governments.

The Legislative of provincial, city and regency governments comprises of elected representatives of political parties and are responsible for legislation (drafted by the Executive or initiated by the Legislative), approval of the local government budget and its enactment into a legislation and supervising the implementation of local legislations, local policies, local budgets and requesting accountability reports from the head of the local government (the elected leader).
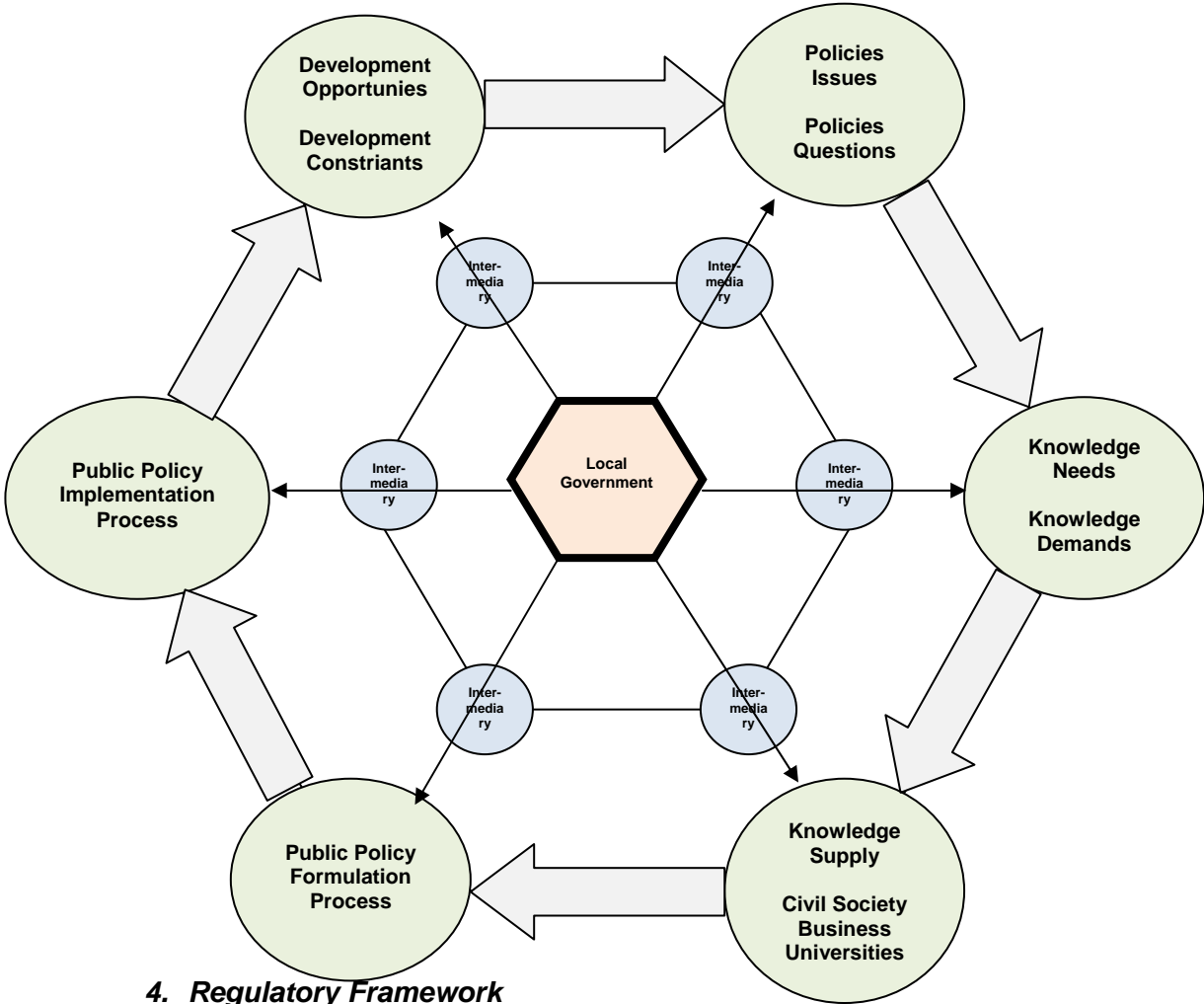
3. Public Policies

Before undertaking this diagnostic, we need to define what are policies, public policies, and evidence-based policies? A policy in general is a rule made up and enforced to control behaviour of an individual or group of individuals, within an entity as small as a family (family policies), a workplace (company policies), or a city, province, state (public policies). A public policy more specifically is an attempt by government through regulatory measures and funding priorities to address a public issue. The government whether state, province, city or regency develops public policies in terms of laws, regulations, decisions and actions. A public policy generally addresses a specific issue, concerns a specific individual or group of individuals, and requires courses of action by government.

There are many definitions for evidence-based, but basically evidence-based public policies are (1) a commitment to finding and using the best theory and data available at the time to make decisions, and (2) when evaluation research shows that public policies produced the expected positive results. It is important to distinguish the term evidence-based from research-based. Just because a public policy was guided by research-based information does not mean it has been proven effective. Unless it also has scientific evidence that it works, it is incorrect to call it evidence-based.   There are numerous merits to adopting evidence-based public policies, not at the least the greater efficiency in using limited resources on what has been *proven* to work as compared to what people *think* will work or what traditionally has been done.

Shaping public policy is a complex and multifaceted process that involves the interplay of numerous individuals and interest groups. Sometimes not the communities or players concerned but certain interest groups may bring up the issue, and even bring up solutions. It is clear that public policies will be influenced by advocacy of individuals and interest groups. Sound research data is needed and can be used to educate the public and the policy makers, thereby improving the public policy process.

In order to provide a better understanding of the public policy formulation process, the graph below shows the process of encountering development constraints and opportunities, identifying policy issues and questions, becoming aware of knowledge needs, searching or procuring knowledge, and formulating and implementing public policies. This diagnostic will look at how public policies are being formulated, how inclusive is the process of identifying policy issues, whether knowledge needs are acknowledged and whether the best theory and data available are used to make policy decisions, whether public policies are consistently implemented, are evaluated, and provide the evidence for further public policies, but also whether local governments go through this process on their own or whether they need intermediaries to help them in each step of this process.

4. Regulatory Framework

The law on regional governments (Law 32-2004) prescribes that public policies are embodied in local government regulations, head of local government regulations, head of local government decisions or head of agencies decisions.

Law 10-2004 regulates the regulatory framework in Indonesia, with MoHA Regulation 16–2006 explaining to local governments how local regulations are to be prepared, with both the Legislative and the Executive allowed to initiate the preparation of local regulations.

The national planning law (Law 25-2004) prescribes that medium-term (five years) local development plans (RPJMD) are prepared on the basis of the vision and mission of elected

head of local government, should refer to the long-term national development objectives and be submitted for deliberation to a general meeting of the local council. The law furthermore prescribes that Bappeda be the leading agency in preparing RPJMD while Bappeda and the sector agencies are responsible for preparing their own sector strategies (RENSTRA). The law also prescribes that RPJMD and RENSTRA are prepared through a political, technocratic, and participative, bottom-up and top-down process.

Government Regulation (PP 8–2008) on preparation, implementation, monitoring and evaluation of local development policies (plans) furthermore prescribes the involvement of stakeholders based on their role and responsibility and the formulation of policy plans based on condition and potentials of local area while considering national dynamics.

MoHA Regulation 54–2010 subsequently explains how local development plans are to be prepared, implemented, monitored and evaluated, requiring those plans to have a situation analysis, logical frameworks and performance indicators. Local government are expected to collect both primary and secondary data, primary data from research activities, monitoring and evaluation or regular activities of the sector agency, while secondary data can be obtained from the national statistics office (BPS). The MoHA Regulation provides detailed instructions in seven attachments. Attachment 1 explains the kind of data, information and analytical work most needed for the preparation of long-term development plans, medium terms development plans, sector strategies and annual work plans, as well as how to calculate trends and to make projections. Attachment 2 through 6 explains how those plans are to be prepared, while Attachment 7 explains how development plans should be monitored and evaluated.

The graph below shows the regulatory framework for public policy formulation
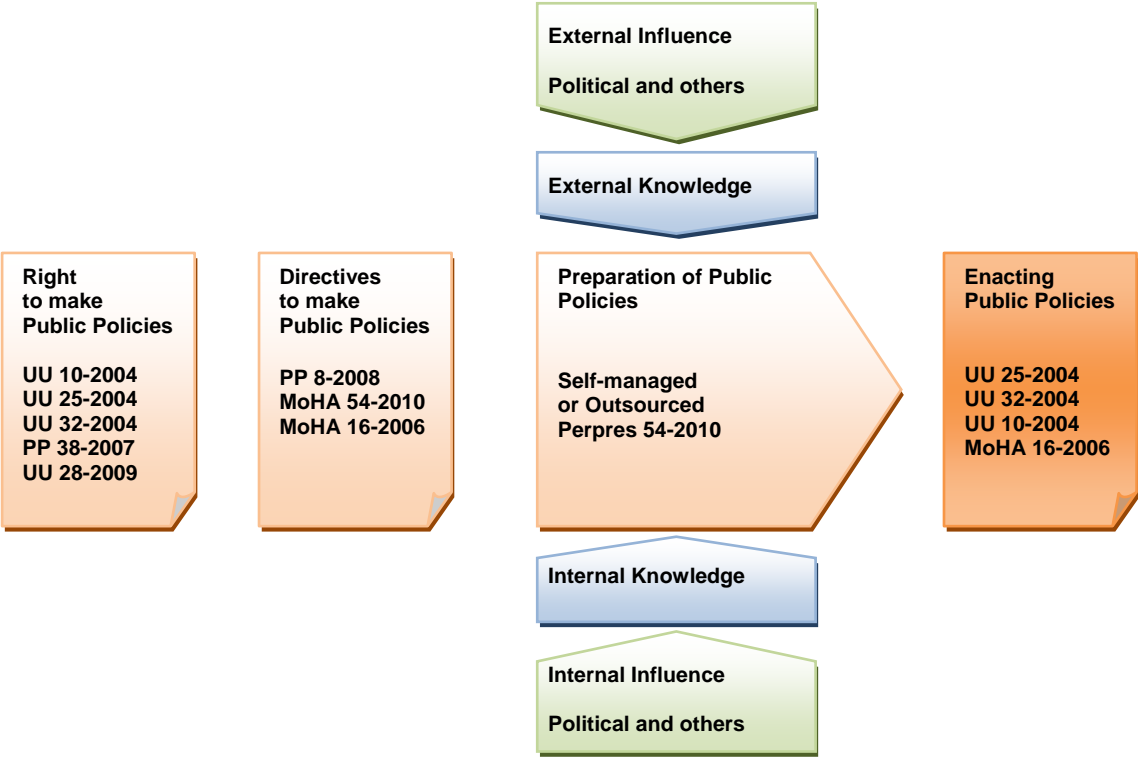
As regulated by Law 33–2004 and by President Regulation 6–2011 on fiscal equalisation, local governments, provinces, cities, and regencies are entitled to a General Budget Allocation (DAU or Dana Alokasi Umum). DAU is a block grant, and its utilisation is to the discretion of the local government based on local development priorities. Law 33–2004 also provides for Special Budget Allocations (DAK or Dana Alokasi Khusus) but these are managed by the sector

departments and require local governments to provide 10% to share the operational cost of programmes funded by DAK.

Education has Special Budget Allocations, and regulates the use of these funds every year through a Minister of Education Decree. The Decree for 2010 (no.5/2010) specified the use of the special budget allocations for rehabilitation of junior high school classes, construction of new junior high school buildings, libraries, and for furniture and supporting facilities. The government also allocates School Operations' Assistance (BOS) regulated by a Directive of the Ministry of Education. The amount is calculated on the basis of the number of pupils/students, and all schools (public and private) are entitled to receive BOS, International schools are not.

The Ministry of Health also has Special Budget Allocations, which for 2011 are allocated to basic health services (Puskesmas and Poskesdes), pharmacy services, health laboratories and referral health services. The government also allocates Health Services Operations' Assistance (BOK) regulated by a Directive of the Ministry of Education 210-2011

In relation to local governments' right to manage their local finance, Law 17-2003 on state finance with Government Regulation 58-2005 and MoHA Regulation 59-2007 regulate the system of local government finance. Law 28-2009 on local taxes allows local government to collect local taxes, levies and charges. Provincial taxes may include car/motor, fuel, water surface and cigarette taxes, while city / regency governments have hotel, restaurant, entertainment, advertisement, streetlight, parking, ground water, urban and rural building and land taxes and construction levies, or other taxes as allowed under this law.

Government Regulation 6–2008 regulates the performance and evaluation of local government performances (both Executive and Legislative) and how to evaluate local government performance and capacity in implementing local autonomy, improving community prosperity and delivery of public services. The regulation foresees an incentive for local governments that have good performance. The incentive may consist of a recognition and publication in media. MoHA Regulation 59–2007 allows local governments to give incentives to civil servants with good performance, or working in a risk environment or remote areas. The amount of incentive is based on the capacity of local government and should be agreed by the Legislative.

Law 18–2003 regulates the national research system, and requires universities and research institutes to develop and transfer knowledge and technology to (local) government (Article 16), requires local governments to consider inputs and opinions from the research institutes (Article 20), and requires (local) government to allocate budget for research activities by research institutes and universities, in order to accelerate knowledge development (Article 27). The government does not provide standards for the quality of research. Normally each research institute develops their own standard of quality. For instance, University of Indonesia produces Standard Quality Guideline on Research.

Finally the procurement process is regulated in Presidential Regulation 54–2010 and allows analytical work to be done through the self-management modality (swakelola). Swakelola is done by the agency that owns the budget together with another government institution or community originations. A maximum of 50% external expertise (assistance) is allowed under that modality. The Regulation does not stipulate explicitly that State universities are allowed or not allowed to participate in research activities being procured, and only stated that "other government institutions" that are financed by APBN and/or APBD can participate in activities through the "Swakelola" modality, which could be misinterpreted.

IV. Survey and Case Studies

1. Local Governments' appreciation of regional autonomy

Since the nineteen eighties first level (provinces) and second level (cities and regencies) governments were gradually been given some responsibilities, such as for planning (by establishing planning agencies at provincial and local level), for water supply (by establishing water boards that later became water companies), along with other human settlement responsibilities (such as solid waste management) and the authority to collect taxes, levies and service charges, but the full regional autonomy was introduced in 1999 through Law 22-1999 (regional autonomy) and Law 25–1999 (fiscal equalisation), subsequently replaced respectively by Law 32 -2004 and Law 33-2004. The province of Jogjakarta enjoyed privileges as a special territory since 1950 and the capital city since 1999, while Nanggroe Aceh Darussalam and Papua provinces obtained special autonomy in 2001.

With regional autonomy comes more responsibilities (as specified in the Presidential Regulation 38-2007) and comes the right for financial resources to implement those responsibilities (regulated annually by a Presidential Regulation). While responsibilities have been given, it is not sure that responsibilities have also been taken and or have been received. To some extent local government officials prefer a system in which they are told what to do; others are not convinced they actually did receive those responsibilities, in view of central governments interference over those responsibilities.

Most local governments are concerned about the uniformity with which regional autonomy is being implemented, as if everybody has the same capacity, same knowledge, and same experience. Local government officials read in central government meddlesomeness, mistrust in local governments' capabilities and or intentions. While local governments recognise that there may be local governments that have limited capacities and need to be taken by the hand by central government, and that corruption and nepotism might be rampant in several local governments, they equally ask why central government would not trust the more capable and well performing local governments. Well performing local governments feel that they are being punished by a uniform approach that most likely has been designed taking care of the worst cases. The question was equally raised, why central government allows the sub-division of local governments to continue, although the non viability of some is so obvious, and why have non-viable local governments not be merged back with their parent local government, as the law prescribes. Results of the survey are presented in the textbox (between brackets percentage of total respondents).

> **Influence regional autonomy on local public policies**
>
> - *Regional autonomy should provide incentive to better local policies, but does not (100%)*
> - *National government directives are too uniform (100%)*
> - *Health and education are basically national affairs (100%)*
> - *Only non compulsory (economic) affairs can be local policies, but also depend on national sector funding (80%)*
> - *Use of national sector funding prescribed, only incidentally fits local priorities (100%)*

Most of the local government officials interviewed, believe that more competition between local governments and different treatment of local government, depending on their performance, including the quality of their public policies, would be good for regional autonomy and would be encouraging local governments to perform better.

2. *Kind of public policies being prepared by local governments*

Both Law 25-2004 on National Planning and Law 32-2004 on Regional Autonomy regulate the responsibilities of regional governments in terms of policy formulation, medium-term and annual planning. Within six months after a head of regional government is elected and sworn in, a medium-term development plan needs to be enacted by local regulation. Law 25-2004 regulates how long-term (20 years) national and regional development plans (RPJP), medium-term (5 years) national and regional development plans (RPJM), medium-term (5 years) national and regional sector strategies per working entities (*RENSTRA SKPD*), and annual national and regional work plans (*Rencana Kerja Pemerintah Daerah*) are to be prepared. The annual work plans (*Rencana Kerja Pemerintah Daerah*) in the Law 25-2004 refer to the annual work plans required in Law 17-2003 on State Finance, thereby linking the planning and budgeting processes. Each regional government is responsible for drafting and enacting its annual budget (APBD) by a local regulation (*Peraturan Daerah*). Half a year before the financial year starts, a draft budget is prepared that should be consistent with the regional government's work plan (*Rencana Kerja Pemerintah Daerah*) and defines general budget policies. In dialogue with the regional parliament budget ceilings are established for the different regional government's working units (*Satuan Kerja Perangkat Daerah*). Taking into account these agreed budget ceilings, regional government working units subsequently prepare performance based budgets.

The medium term development plans (RPJMD) are inspired by the newly elected head of local government's vision, missions and promises made during his/her campaign. Whether those visions and missions will be reflected in the policy document, depends on how much the newly elected head controls the process of preparing these medium-term documents. In most studied cases the preparation is outsourced to consultants, some making it an easy job by photocopying a similar document they prepared for another local government.

The medium term sector strategies (RENSTRA) are meant to lay down the strategies and programmes that are to contribute to the achievements of the objectives defined in the medium term development plan (RPJMD), but the studied cases show that they may be more supporting national sector objectives rather than the local government's objectives. The loyalty towards national sector objectives is also demonstrated by the different Local Action Plans (*Rencana Aksi Daerah*) sector agencies prepared on request of different sector departments.

Unique local policies are mostly found in the local regulations prepared for levies and taxes (in an effort to increase their local revenues (PAD), but can also be found in local governments trying to translate national policies into local policies. The national policy on health insurance (*jamkesmas*) has been localised (*jamkesda*) in some regional governments, triggering the debate at national level whether localising national policies is desirable, or whether uniform policies are preferred. At the same time ownership and enthusiasm over this national programme may be bigger in those regional governments where they localised the system and added their own local government financial resources (*jaminan kesehatan daerah*) or mobilised local community resources (*jaminan kesehatan mandiri*). The national programme for community empowerment (PNPM) has been translated by local governments into a local programme for community empowerment (PDPM) or strategic village development programme (RESPEK) adding their own resources to community development. The national education policies were translated into "education for free" policies in South Sulawesi province, "education for all" policies in Gorontalo province, "compulsory education" policies in Gowa regency, and "free school transport" policies in Gorontalo city. Those are just a few examples where national programmes have been translated into local policies / programmes. There are also examples where provincial policies such as the guaranteed market price for agricultural products in Gorontalo province and the farmers' credit scheme in East Java and West Sumatera provinces, have been translated in similar policies by the local governments in those provinces.

In the studied cases there are not that many examples of real local policies that do not originate one way or another from national or provincial level, but purely from the local government. The few that are there are worth mentioning, such as the Performance Reward System, the Cattle Plague Control and the Fishing Boats' Pool System in Gorontalo Province, or the faith-based policies (dress codes and civil servants ability to read Al Quran) in South Sulawesi and West Sumatera provinces, the prohibition of alcohol in West Papua province, a green policy in Gorontalo city and Gorontalo regency.

When asked whether provincial and local governments had responded to national government's request for local policies on poverty alleviation, HIV&AIDS prevention, disaster prevention, elimination of domestic violence, food crop security, anti corruption, and gender mainstreaming, 80% of the respondents stated that those policy documents were basically copy-pasted from national policy documents but no evidence (documents) of such policies were made available. Gender mainstreaming or women empowerment strategies had however disappeared following the merger of women empowerment agency with the family planning agency.

3. *Public policy formulation process*

As explained before, the preparation of policy documents (plans) are regulated by national planning Law 25 – 2004, and furthermore by MoHA's regulation 54-2010 that more specifically explains in its attachments the data required to prepare plans (Attachment 1), the way plans should be prepared (Attachment 2 through 6) and the way those plans should foresee in monitoring and evaluation (Attachment 7).

Law 10 – 2004 regulates the preparation of (national) laws, government regulations, presidential regulations but also local regulations. A Presidential Regulation 68 – 2005 suggests (without making it compulsory) that an Academic Paper is to support the preparation of a local regulation. A Law Minister's Directive (2008) subsequently explains that the academic justification should be an integral part of the drafting of a regulation. The Law Ministry also issued a guideline how to develop Academic Papers for local regulations. Since a medium-term plan (RPJMD) is to be enacted by a Local Regulation, it would suggest that an Academic Paper is also to be produced for that regulation.

The results of the surveys and case studies and the experts' opinion are identical, most local governments (95%) hire consultants to prepare the medium-term development policy plans (RPJMD) and prepare the medium-term sector strategies (RENSTRA) themselves. Whether the preparation is outsourced or not, local governments (and their consultants) follow strictly central government instructions and central government proposed outline, sometimes raising the question whether they are at all concerned about the substance. In some cases (20%) as was also the experience of BAKTI, RPJMD is copy–pasted by consultants hired by local government. Similarly Stephen Sherlock mentioned in his report that some studies are repeatedly reused, with nothing but the name of the relevant location changed to suit the particular contract. This will often occur when officials are motivated only by the need to follow regulations that state that a study must be done, without any intention to actually use the information contained in the study.

The standard process for RPJMD preparation has been that consultants collect data from BPS and from the sector agencies and prepare draft policy documents for internal discussion in the local government and a draft final for submission to the mandatory public consultation process (*Musrenbang*). The intensity of interaction between consultants and the local government depends on the planning agency and sectors' agencies interest to be involved in the policies formulation process (in most cases they were), also the intensity of interaction between the assigned consultants and the experts of the newly elected head of local government depends on their interest to be involved (in most cases they were).

All provincial, city and regency governments made use of consultants or universities to prepare their medium-term development plans, in 50% of the cases they left the preparation entirely to the consultant / university while in the other 50% the local government took the lead and had consultants / university to support them in the process. Where local governments themselves took the lead over the process they prepared the documents in house, setting up a team. In case the expertise and experience is available, the team-work (task force approach) may ultimately use more locally available knowledge and may develop a stronger sense of ownership. Similar with GTZ experience, local governments did have a budget for preparing a RPJMD, but was not transparent on those allocations. None of the provincial, city and regency governments used consultants or universities to prepare their sector strategies (RENSTRA); they were all prepared by the sector agencies themselves. Only in one case a health agency involved a health expert from the university to prepare its sector strategy (RENSTRA).

> **Process of local public policies formulation**
>
> - *RPJMD prepared strictly following national guidelines (100%) with support of consultants / universities (95%)*
> - *Local planning agency, budget owner, takes the lead and has most influence (80%)*
> - *In some cases (40%) situation analysis done in-house, or by consultants/ university (60%)*
> - *In most cases (80%) the vision and mission of elected Leader is combined with national sector policies;*
> - *RENSTRA only for health and education sectors follow the guidelines and prepared by sector agencies (100%)*
> - *Health and education agencies use BPS and their own sector data and conduct in-house analysis of data (80%)*
> - *For other sectors some (20%) use BPS data, most (80%) don't use data and copy-paste national sector programmes*

How much effort was put into the preparation of medium term sector strategies is difficult to assess, most will say that they collected data from BPS and had intensive consultations, this however may be far from reality. Only the health and education agencies may actually have collected data and may have had intensive consultations with their practitioners (health clinics staff and school teachers). In two cases the agriculture agencies developed evidence-based sector strategies. In most other cases the medium term sector strategies were prepared as a desk job, and may not even have collected data from the statistics office (BPS).

4. *Champions and stakeholders participation in policy formulation process*

Stakeholders' participation is expected to deliver better policies, and ensure that people are more inclined to accept the policies. The implementation of decentralisation has given broader opportunity for stakeholders to be involved in policy formulation as indicated in article 15 of the regional autonomy Law 32 – 2004. The national planning Law 25 - 2004 and Presidential Regulation PP 8-2008 also emphasize the importance of stakeholders' participation in developing local development policies and plans through community consultations from the village up to the city / regency level, called *musyawarah pembangunan daerah* (*Musrembang*). By involving the stakeholders starting from the lowest level of government it is expected that the policies will reflect local conditions and potentials. The regional autonomy Law 32 – 2004 in article 41 describes also the legislative's right to initiative to draft a local regulation and in article 53 stakeholders' rights to give inputs and feedback to regulation under consideration.

For the specific local policies, in all studied cases it was the Governor, Mayor or Regent from the local government who came up with the idea and championed the formulation of the local policy. In the provinces of South Sulawesi, Gorontalo and Papua, the Governor played a key pioneering role in introducing change, reforming the way things were done. In the case of South Sulawesi the Governor making health and education his highest priority and pushing for real actions, in Gorontalo the Governor adopting national policies for health and education and making economic growth his priority and initiated and promoted clear policy actions. In Papua the

Governor introduced affirmative action for the indigenous population and adapted a village-based approach. In South Sulawesi and in Papua the Governor made use of their advisors to translate their ideas in policies, while in Gorontalo province the Governor called on his apparatus to translate his ideas into policies but staying very much involved himself as well.

The Mayors and Regents were also the initiators of ideas for local policies, either as an immediate consequence of their campaigned vision and mission or their promises made during the campaign, or emerging from local issues brought to their attention by communities or ideas suggested by sector agencies since in office. In most cases the Mayor or Regent called on their apparatus to translate their ideas into policies and stayed more or less themselves involved in the policy formulation process. In Bantaeng regency the Regent involved the university (UNHAS) in translating his ideas into policies (note that the Regent was previously lecturer at UNHAS). The Regent of Maros involved local NGO in translating his ideas into policies. The Regent of Gowa regency involved his expert team and experts from UNHAS in translating his ideas into policies. In Gorontalo city, Solok city, Pasuruan city, Gorontalo regency, Solok regency and Lamongan regency ideas for new policies came either from the Mayor / Regent or from the sector agency. The Mayor of Bandar Lampung city has been the initiator of several new taxes and levies policies (note that the Mayor was previously head of the provincial finance office). The previous Mayor for Solok city and the previous Regent for Lamongan regency are being mentioned as champions in introducing change either in public administration or in economic development.

> **Participation in local public policies formulation**
>
> - *In all cases the elected Leader was the initiator of new local policies*
> - *In few cases (20%) did academics, private sector, civil society, parliamentarians participate preparing RPJMD*
> - *In most cases (80%) public consultations on RPJMD is just a formality*
> - *In some cases (30% did practitioners participate in preparing local health and education policies*
> - *In none of the cases did practitioners, academics, civil society, parliamentarians participate in preparing RENSTRA for social sectors*
> - *In very few cases (20%) did practitioners, academics, private sector, civil society, parliamentarians participate in preparing RENSTRA for economic sectors*
> - *In some cases (20%) media was used to debate or promote new local policies, in some cases (20%)the local mosques*

The way the Governor of Gorontalo launched and marketed his ideas to become policies are in particular worth mentioning. As a businessman from origin, he trusted national policies with regard to health and education, was particularly concerned with the local economy, and became the great promoter of promising commodities in his province. He invited the university UNHAS (agriculture faculty) to look into opportunities of the most promising commodity (corn) and translated together with them his ideas into policies. The supporting analysis from the university did not only enrich the policies but also helped in convincing the provincial parliament. In parallel with convincing the provincial parliament, intensive media campaign and socialisation among the farmers took place (meetings), and ultimately convinced the farming population by implementing pilot projects, as demonstration cases.

The previous Regent of Lamongan was recognised for his innovativeness and achievements in economic development, and rewarded with the Golden Trophy and the Silver Trophy of Java Post regional autonomy award. His achievements relate to introduction of handicraft and home industries and marketing mechanisms allowing farmers to increase their income. There are other well known cases of innovative and reformist leaders, such as the Mayor of Solo and the Mayor of Surabaya (both not covered by this study).

In all cases local governments made reference to the existing *musrenbang* mechanism to explain the participation process in policy formulation. For the medium-term and annual plans

this mechanism is mandatory, but it is not clear how the *musrenbang* process plays a role in the local policy formulation process, such as on taxes and levies policies. For the health and education policies, some did mention the involvement of practitioners (health workers and school teachers) in formulating their policies, but not all. For the farmers' and fishermen's policies, local government mentioned the participation of the stakeholders (target group). For the sector policies that originate from national policies, the national departments were involved, but national departments' involvement in purely local policies is not clear.

Media was not often involved in the policy formulation process, other than informing the public about policies once they were in place, with the exception of Gorontalo city where radio is being used for policy dialogue, Bandar Lampung city where local TV is used for policy dialogue, and in some places, like in Pesawaran Regency text messaging to local newspapers is being used to communicate policy issues by the population via newspapers to the policy-makers. In all cases the parliamentarians adapted field visits and consultations with communities during their recess, how effective those consultations were could not be assessed.

The case of Gorontalo regency is worth mentioning in terms of policy dialogue between the local government and the communities. On Tuesday and Thursday, the Regent holds consultation hours (*klinik pelayanan publik*) in his residence, with key sector agencies being present to respond to communities' inquiries. On Friday-Saturday the Regent with key sector agencies holds consultation at the sub-regency / *kecamatan* level (*pemerintahan mobile*), every week in another sub-regency / *kecamatan*. Those intensive consultations with communities allow the Regent to be aware of communities' problems, to know whether problems have been addressed by the sector agencies, and to generate ideas for better policies.

5.   *Quality of public policies (evidence-based)*

Central government introduction of millennium development goals as barometers for public policies was evident in almost all medium-term development plans and policies formulated. Some introduced MDG indicators as part of their situation analysis and targets, most only used the MDG indicators to picture the situation in the health and education sectors. In general the introduction of MDG may well have triggered more fact-based public policies. The introduction of minimum service standards did not have the same impact; the MSS are being used when convenient and ignored when inconvenient.

Medium-term local government development plans / policies

- *20% of RPJMD are comprehensive, fact-based*
- *50% of RPJMD are fact-based, but weak on targets and performance indicators*
- *30% of RPJMD are not fact-based, not supported by data, no situation analysis*

Almost all medium-term plans used logical framework in their presentation of goals/objectives, agenda/targets, programmes, indicative activities and indicative budgets, but reading those logical frameworks the logic was not always there, the solutions (programmes) did not always match the problems (strategic issues). From all the medium term policy plans reviewed, three were comprehensive (Gorontalo city, Gorontalo regency and Gowa regency) with Gorontalo city producing a user friendly, handy document, while Gorontalo regency, produced a very thick detailed document.

With the exception of medium-term sector strategies for health and education, very few local governments prepared any quality local sector policy plan. It seems that the officials from the health and education agencies have a better understanding of the need for fact / research-based and or evidence-based policies.

The more evidence-based approach towards the education and health sectors, resulted in local policies in Gowa regency making education mandatory (in addition to free) and in Gorontalo city to provide school transport (in addition to free education), and in Gorontalo regency to introduce a classification of different clinics according to local needs.

> **Medium-term local government sector strategies / policies**
>
> - *20% of RENSTRA for health and education sectors and 0% of RENSTRA for other sectors are comprehensive and fact / research-based*
> - *40% of RENSTRA for health and education sectors and 10% of RENSTRA for other sectors are fact / research-based, but weak on targets and performance indicators*
> - *40% of RENSTRA for health and education sectors and 90% of RENSTRA for other sectors are not fact / research-based, not supported by data, no situation analysis*

The local policies in other sectors are basically poor. Gorontalo province (and the city and regency inspired by the province) have some level of research or evidence-based economic development policies, leading to localised solution, such as boosting the economic growth (through cultivation of corn and other products), marketing mechanisms for farmers' products, control over cattle plague, and pool systems for fishing boats. The plantation agency in Solok regency and the agriculture agency in Lamongan regency, maybe because they were the flagships of the Regent, had relatively better quality sector strategies compared to other local governments.

Sector policy documents don't provide for situation analysis, logical frameworks, performance indicators, and no evaluation of, or lessons learnt from earlier programmes. Most donors stated that their programmes have more emphasised the process (participatory) than the contents (quality) of public policy formulation.

There are very few economic development policies. Employment policies don't exist, poverty reduction policies are reactive in providing support to poor (based on national programmes) but not addressing the causes of poverty. Social protection replicates national policies, and in some local governments have been localised. Food security policies are new and only replicate national programmes, such as constructing silos funded by central government departments (DAK). Gender policies have totally disappeared after the women empowerment offices have been integrated into the family planning agency (the sector policy plans of those combined agencies only deal with family planning and describing family planning as a means towards women empowerment).

6. *What Influences local public policies*

Law 33 – 2004 and President Regulation 55 – 2005 both on fiscal decentralization, regulate that local governments, provinces, cities and regencies are all entitled to a General Budget Allocation (DAU or Dana Alokasi Umum) and Special Budget Allocations (DAK or Dana Alokasi Khusus). DAU is a block grant, and its utilization is entirely to the local government based on local development priority. DAK are conditional grants managed by the sector departments.

According to the Ministry of Finance (directorate for evaluation of local government budgets) local governments (city / regency) own revenues in 2010 counted only for 8% of the local budget, with the remainder (92%) coming from national and provincial budgets. The natural resources rich provincial / local governments being the exception, where own revenues can reach as high as 46% of their total budget. The overall situation however indicates the high dependence of local government especially city/regency on central government funding.

The reported central government influence on local policies are almost identical in all studied cases: the national government directives that guide the local policy formulation process are considered to discourage local initiative; national programmes and national standards are

believed to be too uniform and not applicable in all regions; national programmes require cost-sharing from local governments, reducing their budget for their own policies; central government special grants and assistance (DAK, BOS, BOK) are conditional and leave little room for local application. To be eligible to DAK requires lobbying; central government funds to provinces (DEKON) are also conditional; Jamkesmas is prescriptive and covers the costs of only selected medicines.

Directives from different sources (Bappenas, Home Affairs, and Sector Ministry) are said to create confusion, and sometimes uncertainty which one to follow. The fact that the Ministry of Religion is handling the Islamic schools (without consultation with local education agencies) while public schools and Christian schools are handled by the education department is an example how complicated the preparation of local education policies can be.

The central government influence on local policies might also be more psychological than real. With decentralisation, it looks as if local governments are confused by being given the freedom to formulate their own sector policies and prefer to have clear guidance / instructions. As mentioned in Stephen Sherlock's report the issues of regulations should be placed in the context of the organisational issues and the "culture" of bureaucracy in Indonesia. The regulations are not the cause of the problem but part of the problem, introducing new regulations within the old structure / culture of civil service would soon see the old problems re-emerge as established officials learnt how to simply apply new rules in old ways. As a Public Works Ministry official puts it: *a big obstacle to the development and implementation of policies are the government environment in terms of transparency, accountability and being inclusive (participatory), those basic conditions have to be in place for better policies to emerge, and better policies to be implemented.* The somewhat feudalistic culture in the bureaucracy may have contributed to local governments' officials to become followers rather than taking initiative and taking advantage of their gained autonomy. Newly elected heads of local government from outside the bureaucracy (businesspersons in particular) seemed to be the only ones that think and act differently, and have their own ideas as how local policies should look.

While central government influence on local policies might be more psychological than real, local governments dependence on central governments funds is for sure real. In the studied cases local government spend 60-70% of their total revenues or 90% of their own revenues (PAD) plus General Budget Allocation (DAU) on the operations of the local government (*belanja tidak langsung*). The DAK allocations represented about 25% from the development budget (*belanja langsung*), taking into account the cost sharing requirement of the many national programmes, ultimately maybe only 50% of the development budget can be translated into local priorities. Part of the development budget (10-15% in the studied cases) is also used for paying for routine tasks of government agencies, such as attending meetings, travelling, making reports, etc. The natural resources poor local governments are therefore largely dependent on national (DAK) and provincial (DEKON) funds for their development agenda.

The medium-term sector strategies are examples of how local sector agencies tend to follow national sector departments' policies rather than contributing to the attainment of the objectives of local

> **Influence local public policies**
>
> - *Local sector policies follow the money, since there is too much dependency on DAK / national sector grants (100%)*
> - *The Executive (budget owner) is most powerful in defining local policies; the Legislative is far less powerful (80%)*
> - *The professional / educational background of the elected leader is determinant for the innovativeness of local public policies (40%)*
> - *The competence of head of the planning agency and capability of consultants hired is determinant for quality of public policies (80%)*
> - *The competence of heads of sector agency and their creativeness allowed by the elected leader is determinant for quality of local public sector policies (40%)*

government's medium term objectives. There is an underlying fear that if sector policies are too local and not copied from national policies, that the financial resources for their implementation may never come, ultimately leading to copy–paste national programmes rather than defining local solutions to local problems.

The local influence on local public policies, are in many cases partly the newly elected leaders' need to recover investments made for being elected and partly the eagerness to solve problems instantly rather than searching for longer-term solutions. As mentioned in John McCarthy and Rustam Ibrahim's report: *Policy makers often have to satisfy an immediate public demand within a particular political cycle, and may look for the solution that meets these immediate needs without looking at what research may suggest, even should it be readily available*. All respondents in the studied cases are unanimous that most public policy decisions are politically motivated including examples of where the regency where the Governor originates from or the village where the Regent originates from gets preferential treatment (more infrastructures).

In all studied cases the medium-term local government policies (RPJMD) are impacted by the newly elected head of local government's vision, mission, and promises during the campaign. The medium term local sector strategies (RENSTRA) are far more determined by national sector department policies than by the local government policies. In all studied cases, except one, the results of situation analysis are said to have no impact on the policies formulated (the review of medium-term local government plans and medium term local sector strategies confirms this). Many local government officials claim that the outcome from *Musrenbang* provides sufficient information for evidence-based policy-formulation (World Bank officials heard similar claims), but the same respondents responded to another question that the results of public consultations have no impact on the policies formulation. Most of the government officials and all non-government local and international experts admit that the annual consultation process (*Musrenbang*) is ineffective. Only when a budget subject for participatory decision-making was made known in advance (as the case for PNPM) was the annual consultation process effective.

In some cases, the local council requested to accommodate certain programmes in annual plans responding to requests from communities during their field visits (recess), in fact they claim that they can only discuss the budget and have little influence on policies. A few council members indicated that their political parties instructed them to be more supportive of the local leader's policies. DPRD starts to be more engaged in public policy formulation, using the results of field visits during recess as input to policies (unfortunately mainly reactive). There is however a growing eagerness within DPRD to know more and to have access to more information.

Civil society has little impact on local public policies, but as a representative from the Asian Foundation puts it: in case civil society organisations would have better access to data (e.g. budget and expenditures) they may directly or via DPRD pressure for better policies. She suggests developing the knowledge sector with NGO rather than with universities (universities weak in advocacy / outreach). So far however civil society did not participate in public policy formulation, and accordingly did not contribute to better policies or counter bad policies.

The studied cases also confirms experts' opinion that only when there is an innovative / brave leader more localised policies may emerge while in general local governments are afraid to make mistakes and more afraid to violate rules (*salah aturan*) than making bad policies (*salah kebijakan*).

7. Consistency in implementing agreed public policies

The consistency of public policy implementation is related to the ongoing power-struggle over policies / allocations of funds within the Executive and between the Executive and the Legislative. In addition to personal interests, some will lobby for their strategic programmes (RENSTRA), others for the results of participatory planning (*Musrenbang*) while the Legislative will lobby for the results of their consultations with communities (during recess). While providing evidence allows for better policies and allocations of more resources, it does not guarantee that additional resources will address the problem. Having more resources allocated to a sector, is considered already being the solution to the problem (spending attitude, instead of performance attitude). The spending attitude generates a less caring for outputs/outcomes. In addition the political interest of a head of local government makes him/her more concerned about immediate results (inputs), and less for results when his/her term is over (outputs/outcomes). The same is valid for the head of a health or education agency, who might be mutated anyhow. Usually a leader of a local government to be re-elected will spend a lot in the last two years of their term.

Officials from the planning agencies acknowledge that as long as policies and programmes don't have specific objectives and targets, and as long as there are no proper evaluation mechanisms, annual plans and activities will have in general little relevance to overall policy implementation, and where there is, it is more a coincidence. Not all programmes are in accordance with medium policies and plans, among others for political considerations, examples where a Regent promised to build mosques in each village and a Regent promised each farmer a hand tractor and water pump, in both cases consuming large parts of some sector's budget.

Some admit that medium-term policies or promises made during a newly elected leader's campaign may not always be realistic and cannot always be realised. As a city official puts it, *it is difficult to be consistent with education policies when you cannot guarantee quality teachers, the certification is lacking behind, elder teachers are not interested and teachers that are politically active are also not interested, in addition the regular change of curriculum by central government makes capacity development of teachers a never ending business.*

Local governments of West Sumatera and East Java provinces mention the fact that copy-pasted sector policies may have been implemented consistently but their effectiveness have also never been evaluated nor been questioned. It requires a reformist or innovative head of local government or head of sector agency to break through this cycle.

The respondents of the survey explained the difficulty of implementing multi-sector (cross-sector) policies such as poverty alleviation. It requires all relevant sector agencies commitment, which is difficult, if not impossible to obtain. National programmes are not implemented in a consistent way, e.g. RASKIM is distributed to a larger number of people than were eligible (reducing the portion per family). As is the experience with the ACCESS project, many villages receive IDR 50 – 200 million ADD (*alokasi dana desa*) from their government and in addition receive support (funds or in kind) from national programmes like PNPM, RASKIN, BLT, SPADA, RUTILAHU, etc.; so basically villages have access to substantial resources. But how have all those allocations been determined (if there is no mapping of local conditions) or how can you be accountable for programmes when there are no indicators? The lessons learnt from the pro-poor planning and budgeting project show the disconnect between policies (planning documents) and budgeting. Evidence based policy plans may increase the possible consistency in policy plan implementation, or at least make policy makers aware of the consequences of their decisions. The social mapping by ACCESS helped local governments to have a better inside in what they were planning for, the pro-poor planning and budgeting project not only helps local governments to prepare better plans but also to be consistent in fund allocations. A simple GIS based map shows the geographical distribution of poverty conditions and geographical distribution of budget, and make policy makers think twice before making inconsistent decisions.

8. Incentive / disincentive to make evidence-based public policies

The overall impression is that local government officials tend to be followers, and feel safer when instructed to do something, feel uneasy if they have to decide for themselves and or in taking the risk that regulations, directives, or advice from central government are violated. In addition local government officials know exactly what is going on, although not always willing to talk about it openly (only making so-called off the record statements) how corruption and nepotism is paralysing governance and became the biggest enemy of good public policies. It also creates scepticism among local government officials, will this ever change, will it ever become better (most expect not in their lifetime). As long as money politics dominates the election of heads of local government and as long as investments have to be made to enter the civil service, everybody is pessimistic about any change anytime soon.

All experts are of the opinion, and the studied cases confirm, that the role of the local government leader is crucial, not only for the kind of local policies that are being developed, but also for the performance of the local government apparatus. Democratically elected leaders are generally more eager to show results and use evidence-base planning and budgeting techniques, performing well strengthens their chances for re-election, but when money-politics get involved, leaders' interest maybe different. Local government's leaders are more interested in tangible (school buildings and clinics) than intangible results (educated children and healthy population).

While everybody voices the importance of the leader of local government, it may not do right to the importance of those who factually prepare policies. Good leaders may come up with brilliant or innovative ideas, but good policies are ultimately made by good / brilliant heads of sector agencies.

Pressure to develop more evidence-based policies comes in particular from central government. DPRD's growing interest for data helps, DPRD's growing habit to conduct field visits helps (although mainly reactive), media's exposure of things that go wrong helps (although mainly reactive), but a smart Bappeda really makes the difference. As a consultant of USAID puts it, *good education policies do not only depend on the Regent but also, even more, on the competence of the head of the education agency*. The importance of a leader of a local government should be seen as the one that allows head of agencies to perform well as they are culturally handicapped, not wanting to expose themselves, do what the boss says. Recognising outstanding staff helps, and will make staff more innovative.

Having competent staff as leaders of key sector agencies is crucial. The fit and proper tests are still exceptions in the recruitment process and promising supporters during the campaign positions although not competent, still happens regularly. Introducing competence criteria, may counter this phenomena, parliamentarians of one of the regencies suggested that if central government does not come up with competence criteria, the council may draft a local regulation on competences for heads of sector agencies. All interviewed local government officials insisted that the habit of staff mutation is contra-productive, goes against professionalism in the local government apparatus and reduces sense of responsibility, and accountability of in particular head

> **Incentives / Disincentive for evidence-based public policies**
>
> - *System encourages spending and not deliveries and does not encourage quality local public policies; no rewards, no sanctions, no evaluation; no quality control (90%)*
> - *You cannot select an innovative leader, but you can nominate a capable, qualified head of planning agency (75%)*
> - *Staff mutation reduces sense of responsibilities, heads of sector agencies should be selected on the basis of competence, and not seniority or closeness to elected leaders (75%)*
> - *Use existing allowances as incentive for performance of civil servants (60%)*
> - *Use sector grants system as incentive for quality evidence-based sector policies (60%)*

of sector agencies.

Incentives or disincentives for evidence-based public policies are also depending whether a carrot and stick system is in place, i.e. when will better policies be rewarded, when will bad policies be punished, or as one official from one of the provinces puts it: *when funds are misappropriated, we talk about corruption and there are legal consequences, but when policies are bad or badly implemented, there are no legal consequences, and also no financial consequences (budget allocations remain the same).*

Heads of provincial / local government that originate from the private sector (business) have provided examples how things can be done differently. Like the Governor of Gorontalo province, an innovator and reformist, with a businessman background, eying economic development, daring to take decisions and accepting the consequences. The Governor invested a lot in having competent people (whether from the province or elsewhere) to lead provincial government agencies, encouraging additional education (S2, S3), and introducing an incentive remuneration system based on discipline and performance. Where some of sector agencies still needed to be convinced, examples / good practices are expected to trigger at least for some sector agencies to apply more evidence-based public policies.

The Governor of South Sulawesi province assigned the provincial planning agency as clearing house for sector policies. All sector policies need to have the planning agency's advice attached to their plans before submission to parliament. The provincial parliament responds consistently by rejecting sector plans that have no clearance from the provincial planning agency. In a similar way, the planning agency of Solok city and Solok regency, inspired by MoHA Regulation 54-2010 invited the sector agencies to submit and discuss their medium-term sector strategies.

The previous Regent of Lamongan, also a businessman, was an innovator and introduced economic reform and was rewarded for his efforts. He served two terms and is still popular and would most likely have been re-elected if a third term was allowed by the law. He was an example of a local leader allowing the heads of key sector agencies to be creative / innovative, from which he ultimately harvested the fruits.

9. *Demand for knowledge most needed for evidence-based public policies*

Local government (provincial, city and regency) are primarily using the date from BPS for their policy formulation. Health and education agencies have in fact access to far more data, such as from their clinics, dispensaries, midwives, schools and teachers, but the data is not always used in an optimal way.

Representatives of some donor agencies supporting local governments in policy formulation, planning and budgeting (WB, USAID, UNDP) were of the opinion that local government do actually have data to prepare evidence-based policies but don't use such data at their disposal. Eagerness to search for data, and capacity and eagerness to analyse available data is low. There is no incentive to make evidence-based policies, or for them no appearing advantage to use data as input for policies.

Each school reports annually (in August) on their school, number of teachers, pupils, etc. and the questionnaires are sent through the regency's education agency, to the national education department but data is not always used by the agency to prepare evidence-based education policies. Local governments have many data at their disposal but not necessarily easily accessible, distributed over different agencies, not knowing from each other what they have, and or not recognising the data they have.

The health and education agencies from local governments, are more familiar with using data, and are thirstiest for more data. Health agencies are used to prepare policy documents and plans on the basis of BPS data and data from their clinics and practitioners (clinics, medical staff per clinic, population served by clinic, mother and infant mortality, prevalence of main diseases, etc.) and are the first to admit that their policies are maybe more service delivery based rather than epidemic based. They all expressed concern about the fact that local government does not allocate funds to investigate the causes of diseases, with maybe just a few exceptions. Similarly the education agency that used data as the basis of policy formulation (schools, pupil – teacher ratio, teachers per school, pupils per school, school participation index, school enrolment figures, school drop-outs, etc.) is in many cases eager to know what the causes of dropouts and lower enrolment are, and some are even curious to know what happens with the students when they leave school (absorption by the market?). Officials of one third of the education agencies studied expressed the need for an analysis of the education sector (pre-school conditions, regular quality review of teachers, school leavers' absorption by the market, markets demands and education system delivery). Their curiosity is not yet met with local government allocating funds for research, but the education agencies have also not tried to see whether students as part of their study (thesis) could undertake such analytical work. Similarly the health agencies have not investigated the possibility for medical students to do some of the analytical work most needed.

The sector agencies responsible for social affairs, economic development (agriculture, fishery, plantations, commerce and others), employment, community development and others, are not used to evidence based policies (only supply driven implementation of national programmes). They are also the agencies that have most difficulties in identifying their needs for data, information and analytical work. Only after some brainstorming some suggestions were made, such as: data, information, analytical work on natural resources, economic development opportunities (identification of promising commodities), unemployment causes and employment opportunities, population livelihood analysis, poverty causes and alleviation opportunities. The lack of awareness of knowledge needed was among others evident in one of the regencies where sector agencies felt no need for analytical work, but BPS said that the local government should examine the poverty situation in its regency; as data shows that there is economic growth, but the welfare of the community is not improving, and poverty is only increasing, so something is wrong, and there should be an eagerness to investigate this. The BPS office in one of the provinces similarly indicated while data show extremely high mortality rate for mother and child, this has not yet triggered eagerness with the sector agencies concerned to undertake surveys and to know more about the causes.

10. Availability and capacity of providers of knowledge

State research centres are available in all provinces, for agriculture and education, and sometimes also for industry and religion, but they seem to have their own research agendas for their departments, with little or no exchange of analytical work with the provincial authorities. According to a Public Works official, state research institutions are not functioning well; they have limited budget and a limited number of knowledgeable people and because of the limited budget cannot afford to hire knowledgeable people. More importantly they are disconnected from the implementing units of a department, so you cannot expect the general directorates to use the results of these research institutes.

While BPS is considered the provider of basic data by all local (provincial, city, regency) governments, BPS is basically the provider of statistical data to the central government and not necessarily able to supply local governments with the statistical data they need for policy development purposes.

The provincial governments more than the local governments make use of local and national universities, such as UNHAS in South Sulawesi, UNILA in Lampung, and UNHAS, UI, UGM, UNS, UG and UNG in Gorontalo, UNCEN in Papua and UNIPA in West Papua for analytical work. Having said so, the universities are more often used as consultants in assisting with the preparation of master plans, and development plans rather than pure academic research in support of policy formulation. Local governments if using the services of universities, use the university within their province, and more likely a state rather than a private university.

What other access to knowledge do local governments have? All provinces established regional research boards (*Dewan Riset Daerah* or *Dewan Pakar*) comprising of in average 30 members from universities, private sector and bureaucracy, but nobody seems to know what they do. Only South Sulawesi and Gorontalo have provincial government research centres (*Badan Litbangda* in Makassar and Balih RISTI in Gorontalo). They undertake or organise research for the province only and do not undertake or organise research for the city and regency governments. In West Sumatera and Lampung the provincial research centres (*Badan Litbangda*) have been merged and became part of the provincial planning agency (*Bidang Litbang*).

Who are the main advisors for the provincial and local government leaders? Some provincial governments, like Lampung have a think tank (*tenaga ahli*) and an expert pool (*staf ahli*), other provinces and local governments have either a think tank or an expert pool. The think tank comprises mainly of individuals providing part-time or fulltime advisory services (some supported the election of the governor), while the expert pool comprises of fulltime senior government officials. The think tanks are advising directly to the Governor (nobody seems to know on what) while the expert pools advise both the Governor and the sector agencies (again nobody could explain on what).

Only in the South Sulawesi, NTB and NTT provinces are local governments using NGO for research, as they consider them better equipped to support local government with knowledge on livelihood of communities, while they considered Universities better placed to support them with knowledge on technologies. A GTZ official working closely with local governments in NTB and NTT doubts NGO's capability to undertake research. Local NGO are generally good in advocating, but have generally very little research capacity (and several don't even have an eagerness to do research). Involving local NGO will require a lot up-front investment in regard to capacity development. Local universities working together with local NGO would be a good combination, combining relative stronger research capabilities of universities with relative stronger outreaching capabilities of NGO.

Some local governments feel that knowledge does not always have to come from research centres, there are several examples where knowledge was obtained from other regions (fishermen learnt better techniques to catch tuna fish from fishermen in other regions). In one of the sub-regencies (*kecamatan*) of Lamongan farmers and home industries have access to information and knowledge through a telecentre, and although successful and appreciated by the community such telecentres have not yet been replicated in other sub-regencies. Similarly in Papua and West Papua provinces up to 22 resource centres have been established at sub-regency level providing communities access to information, farming techniques, knowledge on appropriate technology, market opportunities, etc.

Very few planning agencies use the Internet to access knowledge and the information they need for different, better public policies. Either lesser awareness of the possibilities of Internet or the lesser connectivity could be a reason for the limited search for knowledge through the Internet in most local governments. Local governments in Java have greater connectivity, easier access to Internet and easier access to data, while local governments from outside Java are more dependent on providers of data.

The studied cases prevail that mainly provincial government have been outsourcing analytical work, although the majority of analytical work was done in-house. Local government (city and regency) almost exclusively undertook analytical work themselves, for the health sector using data from BPS, clinics and midwives, and for the education sector with data from BPS and schools. In-house analytical work was done through workshops, and seldom resulted in separate documents with the results being made available in the policy document (RPJMD or RENSTRA) in a brief way, and so losing the evidence that real in depth analytical work was done.

Referring to the review of local government and sector policy documents, it is fair to say that analytical work for the health and education sector is modest but okay with analytical work for other sectors (social, economic) basically being non existing at the local (city and regency) level, with maybe just a few exceptions.

The local (provincial, city regency) governments that used the services of universities, all complained that researchers do more desk study using secondary data and seldom field study, while the universities concerned complained that research budgets are always squeezed to the minimum, leaving no room for field studies.

All research institutions whether provincial government research institutions (*Litbang*), or from state / private universities, feel they have the capability to undertake quality research, and consider both the limited capability of local governments to clearly articulate their demands, and the time and the budget for research as main constraints. They all admit that writing concise reports for policy-makers consumption is their main handicap. They are also willing to accept that there is always room for improving their analytical skills.

11. Procurement of knowledge

In almost none of the provincial, city or regency governments is there a habit of articulating properly their policy issues / questions, which might partly be an issue of capability or an issue of lack of interest. Everybody suggests that when the head of a sector agency is not an expert in that field, it is very unlikely that there is a capability to articulate policy questions. Also according to an official of the World Bank, local governments have great difficulties in articulating properly policy questions, tending not to get to the core of problems, and so not being able to solve the problems in question.

In South Sulawesi province policy issues are discussed through workshops or seminars with practitioners and experts with policy questions being formulated in those workshops. Again in South Sulawesi province those policy questions are subsequently discussed and confirmed with the Regional Research Board.

In general, provincial and local governments acknowledge their limited capability to articulate properly policy questions, some sector agencies however are not aware of their knowledge needs, and would not even think about policy questions. Awareness building with the head of key sector agencies is seemingly important. Some sector agencies are convinced they know everything, are capable of everything and don't show any eagerness to access knowledge with examples of research done with no intended used.

When Presidential Decision KEPPRES 80 / 2003 still applied nearly all provincial and local (city and regency) governments used the *swakelola* (self-managed) modality for hiring individuals from NGO or universities / research centres (by establishing MoU with universities and NGO). Now that Presidential Regulation Perpres 54 / 2010 applies with stricter rules, most provincial and local governments chose for public tender modality that applies only for registered business entities such as consultant firms and excludes NGOs and universities. In practice however, consultant firms don't have permanent staff and will search for experts from NGO and or Universities. The *swakelola* modality is still being used in West Sumatera province, while the South Sulawesi province uses that modality for working with NGOs. The East Java province and the Papua provinces procure analytical work mainly by direct appointment of researchers from local universities. BAKTI's experience is that local governments tend to select researchers they already know (personal contacts are important), with the alumni phenomena also influencing the choice of research institutions.

As mentioned in Stephen Sherlock's report, *for universities to be a business entity (PT) to enter into competitive tendering is a major obstacle to their involvement in the provision of knowledge to government, like non-profit organisations and NGOs, they are excluded from a major aspect of the policy process*. The university sector is obviously a major knowledge resource, but procurement regulations, at least as they are usually interpreted and applied by government agencies prevent this resource from being used through the avenue of commercial contracts.

> ### *Procurement of knowledge*
>
> - *Research is not a priority, difficult to get funds, most research done in-house or swakalola with assistance from universities (80%)*
> - *Health and education agencies know how to articulate their policy questions; most of other sector agencies do not (100%)*
> - *Some sector agencies conduct workshops to discuss policy issues and articulate policy questions (30%)*
> - *Terms of reference for research are prepared by consultant / researcher, not ideal, but who else could do it (80%)*
> - *Procurement procedures are no problem for local governments (80%)*
> - *Procurement procedures are a problem for universities, cannot participate in tenders, via swakalola government only procures individual researchers and not research centre (60%)*

According to a World Bank official, donors seldom use local universities, either due to time constraints, quality concerns or procurement constraints (no preferential procurement allowed). Donors will call for consultants from outside the area who need a lot of time to adapt, are not necessarily the best quality consultants (best consultants are selective in where they want to work), and whose quality is often worse than what they would have been using local universities.

Provincial governments are almost the only regional governments that outsource research / analytical work on a more or less regular basis. Most provinces abandoned the *swakelola* modality, some being sceptical about the reasons, assuming that authorities may benefit more from tender than from *swakelola*. Others explain that *swakelola* under Perpres 54 / 2010 makes partnerships stricter and remuneration lower, thereby reducing the possible interest from researchers to participate. The provincial government in Papua requested the universities to establish business entities for research so that public tender methods can be used for outsourcing research and higher budgets for research can be allocated.

12.Incentive / disincentive to deliver quality analytical work

Recognition is considered the most important incentive for researchers and research institutions; being remunerated in accordance with performance is considered to be the second important incentive. Recognition can be from being invited to undertake research for others than the usual clients (local governments from other provinces) and or to be invited to present results at national level or in other provinces.

The provincial government research institutions feel that in addition of having limited budgets for research, the status of government researchers compared to university researchers creates unnecessary differences, i.e. a functional researcher (*golongan IV-A*) from *Litbang* earns IDR 1.1 million compared to a structural researcher (*golongan IV-A*) from the university who earns IDR 2.5 million per month; a functional researcher within the state / provincial research institution (*Litbang*) does not generate academic credits, whereas a structural researcher at the university does; a structural researcher is entitled to facilities, a functional researcher is not.

A local government that hires researchers from universities (either through *swakelola* or via public tender / consultants) hires individuals and not the university, and will therefore not benefit from the knowledge and creativity of a larger group of researcher (the university), which makes it difficult for a research centre within the university to become a solid place of researchers.

As mentioned by several respondents researchers in Indonesia earn more from attending seminars than doing research. To be an effective research institution, it should not only produce commissioned studies but also conduct debates / seminars, publications, and government should commit to all those services from research institutions. In addition Indonesians face disincentive to share expertise, e.g. the practice of paying an honorarium for Indonesian staff to attend work meetings is a sign of these as are distorted remunerations to research work.

The results of the survey and studied cases indicated unanimously that the amounts allocated for research constitute a main obstacle for the supply of knowledge, both in quality and quantitative terms. While officials of Solok city acknowledged that they don't know how to estimate the cost for quality research, officials in both Papua provinces are facing the dilemma that geographical conditions and the remoteness of many places make research in the Papua region extremely expensive.

Delivering quality research work, and examples of successful application of research done is also been mentioned as the best way to promote research. As newly elected leaders of local government may be more responsive to research in support of their priority policies (their flagships), research institutions should seek those opportunities, to deliver quality research, which may very well trigger invitations for more research by the same local government. There is however also evidence that supply-driven research (initiated by national government or donors) is less likely to be used as input for local public policies than research done on request of the policy-makers themselves. Triggering the demand for knowledge with policy-makers will therefore be a better solution than just supplying policy-makers with knowledge.

> **Incentives / Disincentive for knowledge supply**
>
> - *Local governments limited interest in research, results in insufficient budget allocations, results in low quality and maintains low appreciation for research (100%)*
> - *Local governments hire individual researchers, difficult for centres to develop capacity and to review quality (80%)*
> - *Local government want instant research, in very short time, quality not guaranteed (60%)*
> - *As long as there will be no demand for quality public policies there will be no demand for knowledge (80%)*
> - *University researchers are capable, but need support to improve reporting and presentations (80%)*
> - *Recognition is the best incentive (80%)*
> - *Sector funds for research (DAK) is an incentive (60%)*

V.   Trends in the public policies formulation process

1. Regulations and directives

From the regulatory framework point of view, Law 33–2004 (fiscal decentralisation) and the annually issued Presidential Regulation (latest PP 6–2011), local governments can use their own revenues (PAD) and the general budget allocations from central government (DAU) in accordance with their needs and priorities as long as it has the approval of the local council. In the studied cases PAD and DAU together constitute about 65% of the total revenues of the local (city and regency) governments. Since the majority of the local governments, with some exceptions, spend about 65% of their budget for the operations of the local government (including payment of salaries of civil servants, teachers, medical staff) the revenues over which they have total discretion (PAD and DAU) are almost entirely spent on operations. The development budget, although not as such regulated, is more or less automatically funded from conditional funds.

The law on regional autonomy (Law 32–2004) and the law on national planning (Law 25–2004) and all supporting regulation, in particular Presidential Regulation 8–2008 and MoHA Regulation 54–2010, provide clear guidance on how long-term, medium-term, annual, sector policy documents are to be prepared, how they should look like, the data and information they should contain, as well as the logical framework and performance indicators it should use. Simply said, the regulations require public policies to be evidence-based. The MoHA Regulation assigns the Regional Development Directorate General (BANGDA) to monitor and evaluate the process and quality of those policy documents, but fail to provide sanctions in case local governments do not produce policy documents in the format, way, or quality required.

Presidential Regulation 6–2008 and MoHA Regulation 59–2007 do allow for incentives to respectively local governments that have good performance, and local government staffs that have good performance (or work in difficult circumstances or in remote areas). The amount of incentive is based on the capacity of local government and should be agreed by the local council. These regulations are maybe more used to provide incentives for government staff working in difficult circumstances / remote areas than for their performance.

Apart from whether all the directives provided by central government are really necessary, and whether funds should have conditionality attached to them (including cost sharing), it would be interesting to explore why not making the quality of policy documents be a condition.

2. Appreciation of realities

Six provinces and fifteen local governments have been surveyed / studied, and may not be enough to define a trend, but what appears at least from the studied cases, is that only a few local governments made brilliant development policies, and that there are still local governments that satisfy themselves with copy-paste policies. There are policy documents with clear logical frameworks, with clear visions, missions, situation analysis, strategies, programmes and performance indicators, but there are also policy documents that are narrative with almost no back ground information at all. So who monitors and controls the quality of local government policy documents? It will be impossible for BANGDA to monitor the process and quality in all local governments, but how about BANGDA only dealing with the provinces and the provinces dealing with the local governments. The provinces being equally autonomous as cities and regencies has made it difficult for provincial governments to supervise, coach and monitor local governments' public policy formulation processes. In all provinces some efforts are being made, but have so far shown not to be very effective.

The government directives require policy documents to be evidence-based and performance-based, but in reality not all local government development policies (RPJPD and RPJMD) are evidence- or performance-based, and for the sector strategies (RENSTRA), only the health and education sector and in a few cases the agriculture sector are evidence-based. The majority of those sector strategies however are also overly service oriented (the health agency predominantly dealing with curative and not preventive health; education predominantly dealing with education services and not education quality; and agriculture dealing with extension work and not with agriculture production, diversification or farmers' welfare). None of the other sector strategies reviewed were evidence-based. According to MOHA Regulation 54-2010 the planning agency (Bappeda) is to monitor the quality of sector strategies, and seemingly not the provincial or national sector agencies/departments. The efforts made in South Sulawesi province and in Solok city and regency by assigning Bappeda as clearing house for sector policies is a good initiative, whether it will lead to better quality sector strategies is yet to be proven.

With limited information (poor sector strategies) being made available to policy makers, one may wonder whether policy makers are aware of the consequences of their decisions, not in terms of what is in it for them, but what is in it for the region and for the population?

While many respondents claim that working conditions and remunerations are not conducive for extra efforts, the system of paying civil servants twice, first a salary for being a civil servant and second for the work to be done as a civil servant provides some opportunities. In the studied cases sector agencies allocated 10-15% of their development budget to their own routine tasks such as attending meetings, travelling, writing reports, etc. Gorontalo uses the budget for routine activities for an incentive system, paying for work actually (well) done, while other local governments are also paying for work not done.

3. *Local initiatives, local policies*

It appears that the innovativeness, entrepreneurship and bravery of a head of the local government is key to the overall performance of the local government, whether in having more innovative policies, better public administration, better service delivery, or a reform of public administration working culture. They are not always the actual champions of new policies, but more often give competent and innovate head of agencies the space, the encouragement and recognition needed for them to become the actual innovators of new local policies.

Could there be a relationship between innovativeness of a head of local government and the background of the head of a local government, whether a bureaucrat, military, academic or businessman/woman; it looks as if there is (academics investing more in better policies, businessmen more in innovative policies), but the sample is too small to make such a conclusion.

The fact that sector agencies with professionals heading the agencies, were able to produce quality policy documents, triggers the question, how many professionals do you need for optimal performance of a sector agency? Local governments claim they have no influence on the recruitment process where young graduates are being recruited instead of experienced professionals. On the other hand, some newly elected head of local government have been able to recruit their own allies; so somehow, somewhere there must be a way.

4. Participants and quality of dialogue

There is a growing interest from local parliamentarians in having better policies, having their constituents being better served (their problems being solved), while at the same time their influence is limited. They are invited to debate projects and budgets but not necessarily policies and programmes. The unease among bureaucrats that politicians visit their constituents and lobby for solutions / projects for their constituents, raise the question, what is wrong with that? Maybe inconvenient for the sector agencies that had their programmes already well prepared, but is that not what politics is all about? However, despite the bottom-up planning process citizens voices are seldom heard, so if their voices are now heard by parliamentarians that means progress.

Universities seldom pro-actively look into policy issues, unless invited to do so. They participate in the meetings (*Musrenbang*) that discuss the medium-term development policies. They, or better said, some of their staff may actually have been involved in policy formulation as a consultant. The knowledge of a few individuals is in those cases being tapped, and not necessarily the knowledge of the institution (university or research centre) as a whole.

Civil society organisations are more involved in facilitating and supporting communities, and very little in the policy formulation process. They attend the *Musrenbang* that discusses the medium-term development policies, but not sure whether they have a voice and or their suggestions accommodated in the policies. Civil society is a sleeping power that if well informed, could lobby directly or indirectly (through parliamentarians) for better policies. They are assumed to be best informed about livelihood of communities, and the causes of poverty, unemployment, malnutrition, domestic violence, and the sort. Civil society organisations only in a few studied cases did participate in the public policy formulation process.

The business community, a key player / actor in governance, in all studied cases has not been invited to participate in the policy dialogue. A pity, as they are assumed to be best informed about business opportunities, employment opportunities, market mechanisms, and the sort.

The claim that the population has the ultimate say in all policy formulation, and that the participatory process through *Musrenbang* is the solution to all problems could not be confirmed. For sure there are more people not attending than attending *Musrenbang*, and not sure whether those attending really represent all those that do not attend, that have not been invited. The medium-term local government policies (RPJMD) are subject to public consultations (*Musrenbang*), but the medium-term sector strategies are not. Some claim that annual development plans are generated through the participatory planning process (*Musrenbang*), while civil society organisations claim that nothing has ever been accommodated in annual plans. Well the truth must be somewhere in between, but by reviewing annual budgets; it appears that not much has emerged from the participatory process. An interesting question is then, why are available budgets not announced so that villagers know which budget is open for discussion and can submit proposals with an order of priority, the same way the national programme for people empowerment (PNPM) is also implemented?

Media's participation in policy dialogue is also passive, and more reactive than pro-active. In some local government, there are policy dialogues on radio or local TV, but that is more the exception than the rule. In some local governments, newspapers devote a page in their newspaper on policy dialogue, and some invite readers through text messages to submit their ideas for discussion to the newspaper editor. Facebook and Twitter are popular among young people, but not yet as a forum for policy dialogue.

VI.   Trends in demand for and supply of knowledge

1. Awareness of need

With the exception of the planning and the health and the education agencies, sector agencies are (and at times not even), only collecting data from the statistics office (BPS) and haven't been thinking whether they are in need of any more data information, knowledge. They may well represent the majority in most local governments.

The planning agency manages the planning process and prepares progress and accountability reports and is therefore familiar with using data for their plans and reports, which unfortunately not always triggers eagerness for more data or to manage better the data and information they already have.

The health and education agencies are familiar with using data for their medium-term strategies and annual plans and are, apart from some exceptions, also thirstiest among all sector agencies for more data, information and knowledge. In case there is a trend, then having access to knowledge seemingly triggers demand for more knowledge. Sector agencies that are in direct contact with the community, such as the community empowerment agency, are confronted with problems communities are facing, which more likely triggers awareness of their knowledge needs, than those who don't have to or don't interact with communities.

Professionals within a sector agency, compared to the administrators in that same agency, show more interest in knowledge, but depending on whether the head of the agency also is a professional, can express those needs, or not. Young professionals are said having idealism, and more affinity with facilities like the internet, but whether that works out to trigger more curiosity for knowledge, is yet to be seen.

The needs for knowledge are endless in particularly in the economic sector, such as economic development opportunities, employment opportunities, the actual causes of poverty, appropriate technologies for agriculture and fishery, appropriate technology for energy, micro finance and market mechanism, just to name a few.

Health policies need to be more epidemic-based, and requires more information and insight on the causes of most occurring diseases within the community, allowing health policies also to be more preventive rather than just curative.

Education policies would be better with more information and insight on pre-school conditions, quality of education itself, absorption of the school leavers by the working market (and responsiveness of the education system on market needs). As the biggest employer, the education sector is also in need of the knowledge on how to manage their human resources.

2. Demand for knowledge

Since knowledge needs don't automatically make them knowledge demands, local governments need ways to stimulate knowledge demands. Workshops or brainstorming sessions bringing together bureaucrats, experts and practitioners (and some cases representation of the target population) are good ways to identify and formulate policy questions, and define knowledge needs. Using logical framework techniques to identify the core policy questions and subsequently the needs for knowledge are ways that have proven their effectiveness already.

One should remain aware of the fact that better articulated policy questions will not automatically lead to better solutions (policies), maybe yes when the head of the agency took the initiative, less sure when outsiders proposed the workshops to identify policy questions and the need for knowledge. The key to that is: *don't supply knowledge, but rather trigger the demand.* This obviously also requires awareness of a supply, and information on how knowledge was successfully applied in policy formulation. Best practices or stories from other local governments may trigger demand, or within a local government, best practices in some sector agencies may trigger demand in other agencies.

Demand for knowledge will be triggered either by imposing them or by creating the certainty that better policies are appreciated and that the extra effort is being appreciated. As long as bad policies are allowed and as long as extra efforts are not appreciated, demand for knowledge will only come when imposed (by the head of the local government or head of agency), or from idealists, who feel that it is their profession, their responsibility.

To trigger demand for knowledge, one has to not only address the issue in a comprehensive way, such as, making it compulsory, monitoring results, acknowledging good results, appreciating extra efforts, but also by making sure that the supply side is satisfying, of reasonable quality, applicable, so that it triggers the demand for more.

At the end it will be the financial and economic benefits that will determine whether there is a need for evidence-based policies, and thus a demand for research/knowledge. A local government wants to know whether there are financial benefits in terms of funding for the policies, like in several Latin American and Eastern African countries, where special budget allocations are linked to the quality of policy documents. In those countries better policies, result in access to special budget allocations, while bad policy plans, sorry, will exclude them from these special budget allocations. Local government officials want to know whether there are financial benefits for them as a civil servant for working harder and performing better.

3. *Supply of statistical data*

For many local government agencies, the Statistics Office (BPS) is the only supplier of statistical data. Population data are being collected and managed by both the Statistics Office and the local government's population agency, however using different definitions. The Statistics Office considers those that live more than 6 months a year in a local government as a resident, while the population agency, considers everybody who obtained an identity card from that local government a resident. The difference seems minor, but in some localities it creates more than 50% difference in total population, convenient when applying for general budget allocations (DAU) that among others are calculated on the basis of the population.

The Statistics Office undertakes only once every three years a socio-economic census which in itself should be sufficient for planning purposes, but since local governments are primarily in need of data for their accountability reports (LAKIP) they are in need of yearly updates which the Statistics Office cannot produce.

Local governments have a lot of data at their disposal, scattered over many local government agencies, service centres (like schools and clinics) and practitioners (doctors, teachers and extension workers). These data are used for progress and accountability reports and less for policy and planning purposes, and in cases where they impacted policies, was maybe more of a coincidence.

Data available within the different local government agencies need to be validated before they can properly be used. The Statistics Office has professionals that could help local government

validate and analyse data, but requires first to solve internally the problem of statistical data management. Basically there is not a problem of availability of data at local government level, but much more the accessibility and willingness to agree on the validation of data scattered over so many agencies. There is a trend of not trusting data from other agencies, which may be more a convenience / inconvenience issue.

4. Supply of knowledge products

Some knowledge products, other than statistical data, consisted of feasibility studies, impact analysis studies, policy evaluation studies (such as for agriculture, plantation and forestry), budget analysis, as well as appropriate technology or food processing technology for agricultural products. The different knowledge products produced by either state research institutes, local universities or universities from other provinces, could not be reviewed on their quality, and only the opinion of the users be collected.

In nearly all cases, the provincial authorities were the clients and end users of the knowledge products. In the case of policy evaluation studies they were prepared by the provincial research institutes. Feasibility and impact analysis studies were prepared by consultants, sometimes using staff from local universities. The budget analyses were done by local universities, sponsored by donors. The appropriate technology studies were done by agriculture faculties of local universities.

The trend is that studies are undertaken in support of decided policies or to evaluate existing policies, and seldom for a search to new policies. Most of the knowledge products are narrative, very descriptive, sometimes too academic (more for an academic audience than policy makers), and not always addressing real issues, either because the real issues were not acknowledged or the real issues were avoided to not upset the client. Only in a few studied cases research was done on appropriate technologies for farmers or fishermen. Such research included also exchange of knowledge between farmers and fishermen from other regions on techniques they successfully applied.

5. State / university research centres

The state research institutes in the provinces are under the direct responsibility of a sector department and only undertake research on request of their department, but allocations and total number of researchers are limited. Their capacities have not further been investigated.

The provincial research institutes were only found in Gorontalo province (*Balih RISTI*) and South Sulawesi province (*Badan Litbangda*), while in West Sumatera province and Lampung province the provincial research institutes (*Badan Litbangda*) were merged with the planning agencies and became sub-units (*Bidang*) of those organisations.

The research institute in Gorontalo (*Balih RISTI*) is specialised in environmental impact analysis, but did two years ago on request of the Governor a research on foods production (from corn), and just started a study on appropriate energy technology. In all cases the provincial government was their client. They have limited budget and a limited number of researchers. Quality of their research products could not be reviewed. The research institute of South Sulawesi province (*Badan Libangda*) has mainly been commissioned with policy evaluations for the provincial government. They also have limited budget and a limited number of researchers. Quality of their research products could not be reviewed.
The research units of Bappeda in West Sumatera province and Lampung province undertook very little research. They have a limited budget and a limited number of researchers.

The Hassanudin university (UNHAS) in South Sulawesi province, is the biggest university in the region and has a research centre, recognised by Bappenas (pusbindiklatren) and employs 32 researchers in the field of economy, sociology, health, education, spatial planning and marine science. The research centre has 15 provinces in the eastern part of Indonesia as client, and receives an annual budget from Bappenas for about 5 research activities, at their choice. From different provinces they receive budgets for in average an additional 5 research activities and incidentally there are research requests from international donors. Their core business is technical assistance in planning, training in policy formulation, and research in areas of economy, sociology, health and education. Research activities are more reactive than pro-active, consequently research tend to be constrained by time, producing limited knowledge and only short-term solutions. In addition to the funding it receives for research activities, the centre's sustainability is mainly guaranteed by consultancy services (preparing RPJPD and RPJMD) and training activities.

The Brawijaya University (UNBRAW) in East Java province is the largest university in East Java and has a research centre with 34 researchers in the field of public administration, economy, sociology, agriculture, fishery and livestock. The national government, the provincial government and all 38 local governments in East Java are their clients. The research centre undertakes in average 40 research activities per year, from which about 10% for national government (education or agriculture department), about 10% for private sector (pertamina oil company or gresik cement company), about 40% for the provincial government and about 40% for local governments. As many civil servants continue their master study at Brawijaya University, the university benefits from an excellent network with local governments. All research is funded by the clients, about 25% is more technical assistance, and about 75% is pure research.
The universities in the other provinces have much smaller research capacity and have mainly local governments as their clients. Their activities are predominantly training and consultancy services (RPJPD and RPJMD) and less actual research.

6. Think tanks and expert pools

Regional Research Boards (*Dewan Riset Daerah* or *Dewan Pakar*) have been established in all provinces, with an average of 30 members. In South Sulawesi province, proposals for research are submitted to this board for review. Other provinces could not explain what the board was doing, other than meeting 2 or 3 times a year.

In most provincial and local governments there are either Think Tanks, consisting mainly of non-government experts or Expert Pools, consisting of senior government officials. Their effectiveness is difficult to assess. The Think Tanks seemingly provide primarily advice to the head of the provincial/local government, and in many cases include key supporters from the election campaign. The Expert Pools are being called upon by planning and sector agencies of local government, recognising their seniority. The provincial and local governments' planning agencies (Bappeda) are more recognised as the actual Think Tanks for provincial and local governments, than the so-called external (*tenaga ahli*) and internal (*staf ahli*) experts.

7. Alternative ways

In addition to acquiring knowledge through in-house or outsourced research, alternative ways of tapping knowledge have frequently been mentioned, not at the least by using the Internet, although everyone acknowledges that the language can be a handicap or limit search to knowledge in the Indonesian language only. Promoting the use of the Internet, including interacting regularly with research institutions through the Internet, would respond at least to the needs of the younger generation of professionals working in local governments.

Just a few research institutions do organise study tours, exchange programmes and peer-learning, which if done seriously (not for pleasure only) is an effective way to acquire knowledge. In-house training and coaching (inviting experts) rather than attending training elsewhere has also been mentioned as an effective way of acquiring knowledge. Organising knowledge burses, congresses, again if done properly/seriously, are ways to acquire knowledge.

Looking for alternative ways has everything to do with disappointments with research institutions not delivering the expected outputs, but also with the culture of absorbing knowledge more orally than from written documents.

The knowledge sector meaning the overall institutional landscape of government, private sector, and civil society organisations that support the development of public policy, may well have to consider both ways, delivering analytical work in a written and in a spoken way. This also supports Greta Nielsen's idea that: *To be an effective research institution, it should not only produce commissioned study but also conduct debates / seminars, publications, and government should commit to all those services from research institutions.*

In addition to government's access to knowledge for public policies, civil society organisations stressed the importance for communities to have access to knowledge. A successful way of doing so was mentioned in Lamongan regency where farmers and home industry owners can access information on farming techniques, appropriate technologies and market places through telecentres. A similar way was mentioned in Papua and West Papua provinces were community resource centres have been established in over 20 sub-regencies.

VII. Conclusions and Recommendations

1. Constraints and Opportunities

The findings of the survey and case studies and the review of trends can be summarised in the following core issues related to local public policies:

(1) The uniformity and detailed prescriptive government directives reduces creativity and innovation by regional governments in formulating their local public policies.

(2) The discretionary funds (general grants) made available to regional governments are in most cases just enough to pay for the operations of local government, their own revenues from local taxes, fees and charges being too small.

(3) Most local governments are consequently dependent on conditional grants for development, which use is prescribed, making health and education de facto national affairs and will for other sectors only incidentally coincide with local needs and policy priorities.

(4) For long-term and medium-term policy plans local governments allocate a budget that allows hiring consultants to undertake research and prepare the plan. For sector strategies, annual plans and budgets local government do allocate little or in most cases no budget and formulates those policy plans in-house, without external support.

(5) There is no habit of involving stakeholders (practitioners, experts, universities, business community, civil society) and thus not accessing and benefitting from their knowledge in the policy formulation and policy decision-making process.

(6) Sector strategies tend to be copy pasted from national sector strategies (mostly because of the dependence on sector funding) while annual plans and budgets tend to be copy-pasted from previous years plans and budgets, without evaluating the effectiveness of policy and plan implementation.

(7) Cross sector policies and cross administration policies are extremely difficult to implement, as it requires difficult to obtain and maintain commitments from sector agencies (in the case of cross sector policies) and from local governments (in the case of cross administration policies.

Copy-paste evidence based public policies (medium-term, annual, or others) would be near to perfect, but copy paste public policies that have not proven to be effective or even have proven to be not effective is irresponsible. Evidence-based public policies are meant to be drawn on careful data collection, experimentation, and both quantitative and qualitative analysis to answer the questions: What exactly is the problem? What are the possible ways to address the problem? And what are the probable impacts of each solution?

The review whether the public policies were research-based and or evidence-based, shows the following situations:

(1) Overall working culture within the bureaucracy makes civil servants waiting for instructions, pleasing the boss, afraid to take initiatives, and allows an attitude of better to have bad public policies than violating the formal and informal rules.

(2) A lot of statistical data is available, each agency having its own (different) data, not validated, not easy accessible, and one agency not trusting data from another agency.

(3) There are annual budget targets, which creates a spending attitude, results in a lack of interest in outputs and outcomes, and consequently no interest to evaluate results;

(4) There is no review of public policies and plans, no quality control; good public policies are not appreciated and bad public policies have seemingly no consequences.

(5) Some elected leaders are not interested in research-based or evidence-based policies, they favour instant solutions, and want to spend more on tangible hardware (roads, bridges, buildings) and less on software (research, capacity development, services).

While a majority of the public policies may not have been research-based and or evidence-based, it makes it even more interesting to know, why some local governments or local government agencies did formulate research-based and or evidence-based public policies. What makes them different from others, what triggered the eagerness for better public policies?

(1) The health and education sector agencies are more used to collecting and analysing data and searching for evidence to improve their policies. They may not be perfect, but in general more research-based than the public policies of many of the other sectors.

(2) An elected leader who is visionary and brave, willing to do things differently, and who encourages his staff to be creative and innovative, will result in sector agencies searching for the cause of problems and for more research-based solutions.

(3) A competent head of a planning agency (the think tank for most public policies) is more likely interested and motivated to develop quality public policies, and when the financial resources permit to collect as much as possible data and evidence in preparing future public policies.

(4) Professional heads of sector agencies are far more interested and feel more responsible for their sector, than their non professional colleagues (results of continuous mutations) and will with little motivation search for the cause of problems and develop public policies backed up with as much data and evidence as possible.

(5) When better public policies provides better access to funding, local governments will allocate funds for better preparation of public policies; and when better performance of a civil servant is appreciated (performance-based incentives), many more civil servants will put an extra effort in preparing research-based or evidence-based public policies.

While some local governments are interested in formulating research-based public policies and or considering evidence-based public policies, their demand for knowledge, data, and research is still facing some constraints, such as:

(1) Lack of awareness of knowledge needs and at the same time limited availability of data and information on natural resources, livelihood, unemployment, poverty, employment opportunities, economic development opportunities, micro finance (and data not being segregated for men and women).

(2) Lack of capacity and sometimes interest in articulating policy questions and to translate them into the need for knowledge, and difficulty in preparing terms of references and estimating the cost for quality research.

(3) Bad experience with low quality, difficult to read or not applicable results of research from consultants/universities reducing the already limited interest for research and making it more difficult to have budgets for research approved.

When demand for knowledge, data and research can be triggered to support more evidence-based public policies, comes the question of supply. Major issues related to the supply of knowledge include:

(1) BPS is mainly a supplier of statistical data for national government, only partly meeting the needs of local governments. State research institutes are mainly suppliers of knowledge to departments, provincial research institutes mainly suppliers of knowledge to provincial government and donors' research activities mainly for donors (pilot projects and lessons learnt seldom constitute an input for local public policies).

(2) Regional research boards have been established but not yet effective, and experts contracted by head of local governments and senior government experts' staff are only in a few cases of use (e.g. in combination with an innovative elected leader)

(3) The limited budgets make it difficult to deliver quality research, forcing the use of more secondary than primary data.

(4) Very little appreciation for pro-active research by universities, ultimately resulting in more research to backup policies already decided, rather than to identify best suitable policies.

(5) Researchers are particularly weak in writing concise and fancy reports, conducting lively policies debates, publishing results in local and national newspapers, resulting in low recognition for research.

(6) Procurement procedures don't allow state universities to join public tenders, except if their research centres are registered as business entities. So far local governments procure the services of individual researchers thereby not benefitting from the multi-disciplinary knowledge and capacity of the research centre, and limiting the research centre's ability to review reports substantially and grammatically and thereby improving research results.

(7) Division of functional and structural staff, with arbitrary distinction of responsibilities and different remunerations or benefits reduces the popularity for research, reducing the market value of research, making it difficult for researchers to remain committed to their profession.

(8) While regulations allow research to be procured through self-management (*swakalola*), direct appointment of researchers (*penunjukan langsung*), simple tender (*pelelangan sederhana*) or public tender (*pelelangan umum*) local governments use the method that fits them best, and not what fits best the researchers or research institutes.

For obvious reasons constraints to produce quality public policies are linked to the constraints for demand of knowledge. Very simply said, when there is no need for quality public policies, there is no demand for extra knowledge, or otherwise, when there is a need for quality public policies there will be a demand for extra knowledge. When the need for quality public policies can be imposed or triggered, it will trigger the demand for knowledge, and then supply will be the only concern.

The diagnostic did identify as many constraints as it did identify opportunities, as several local governments were concerned about the quality of public policies, were interested to acquire more knowledge, and universities contacted were concerned to deliver the knowledge in terms of quality and quantity as demanded.

The table on the next page provides the reader an overview of constraints (weaknesses and threats) as well as opportunities (strengths and opportunities) in a familiar SWOT table.

STRENGHTS	OPPORTUNITIES
- The regulatory framework (UU 25-2004, UU 32-2004, UU 33-2004) is clear - Directives (MoHA Regulation 54-2010) are clear requiring public policies to use data, analysis, logical frameworks, be performance-based and using performance indicators - Directives (MoHA Regulation 54-2010) are clear about provincial role in monitoring and controlling the quality of RPJMD and Bappeda's role in monitoring and controlling the quality of RENSTRA - Examples were Bappeda acts as a clearing house for sector policies (supported by MoHA Regulation 54-2010) - Availability of BPS and sector agencies data - Examples of national policies being adopted and localised - Examples of evidence-based public policies - Examples of performance-based incentives - Examples where policy issues and knowledge needs are identified through inclusive workshops - Example where coaching of universities resulted in quality research and quality publications	- Permitted use of performance incentive system (PP 6-2008 and MoHA regulation 59-2007) - Available local knowledge with local universities, business community, CSO and practitioners - Working group discussions to identify policy issues - Bappeda playing the role of clearing house - Provincial government exercising quality control (supported by MoHA Regulation 54-201) - Growing interest of DPRD in public policies - Possibility to open the menu of special grants, and making special grants conditional to evidence-based public policies - Building a network of researchers, and a network between researchers and planners - Partnering experienced universities (research centres) with local universities (research centres) - Coaching researchers to improve analytical work and to improve their writing skills - Coaching local government planners to prepare evidence-based public policies - Use BPS expertise to validate sector data - Use best practices from pilot projects and innovative policies as examples for local governments, put energy and invest in those local governments that are willing to innovate, perform and reward them and put spotlights on good examples - Fit and proper tests for competent staff and head of local governments - Provide special grants for research
WEAKNESSES	**THREATS**
- Uniformity of national directives (not creating competition among local governments) - Limited discretionary funds and high dependency on conditional funds - Too frequent mutation of staff, and assigning non competent people to key positions - Not conducive working culture, pleasing the boss - DPRD's minimum role in public policy formulation - Different data from different sources, not validated - Spending attitude, lack of interest in performing - Lack of capacity and interest to articulate policy issues, to prepare TOR and estimate the cost for research (for knowledge) - Lack of capacity and interest to produce quality sector policies (copy-paste) - Lack of incentives for local governments to develop and for local government officials to devote more efforts to quality public policies - Lack of awareness of actual knowledge needs - Lack of involvement and engagement of academics, private sector and practitioners in public policy formulation (satisfying with musrenbang only) - Little appreciation for research, situation analysis and public consultations (formalities only)	- Money politics and corruption - Nepotism in nominating people to key positions - Newly elected leaders disregarding competence - Departments opposing open menus for special grants - Spending attitude of donors, central government, provincial and local governments - Newly elected leaders having to recover their investments and to deliver unrealistic promises - Opposition to change in the recruitment and remuneration (performance-based) system - Leaders remaining interested in hardware and reluctant to invest in knowledge and policies - Ego sector behaviour - Ego administration behaviour

2. *Recommended Options*

The recommendations of this diagnostic concern both the public policy formulation and the knowledge sector and provides options that government at different levels and AusAID (as well as other donors) could take into consideration.

To improve the public policy formulation process we recommend for Government to use the network of ongoing local government support programmes to promote:

(1) Awareness building about the importance of evidence-based public policies (*stop repeating and copy-pasting non effective public policies*)

(2) Awareness building and assistance with introducing "fit and proper tests" for the nomination of key positions and introducing performance-based incentives systems for local government staff.

(3) Independent evaluation of public policies and sector policies' effectiveness and encouraging the involvement of all key stakeholders (politicians, academics, business community, civil society organisations and practitioners) in such an evaluation.

(4) Inclusive processes of identifying development constraints and policy issues through (logical framework) workshops involving academics, business community, civil society organisations and practitioners, and assistance with preparing TOR and estimating cost for subsequent quality research.

(5) Identification and distribution of examples of evidence-based local public policies, and best practices such as pro-poor planning and budgeting.

(6) Putting good public policies in the spotlight, reward them (as Java Post rewards innovative governance under decentralisation) and create competition

(7) Validation of numerous sector data and establishing data banks with Bappeda, with support from and in collaboration with the statistics office (BPS).

(8) Provincial Bappeda's capacity building in coaching and monitoring quality local government development policies

(9) Local Bappeda's capacity building in coaching and monitoring quality local sector policies and strategies

(10) Provincial and local Bappeda's capacity building in procurement of knowledge and research

To improve the public policy formulation process we also recommend for Government to lobby for national departments' support for:

> *Face the facts and be committed to fact-based decision making*

(1) A competence based system of nominating heads of local government agencies

(2) A performance-based incentive system, rewarding civil servants for their actual performance.

(3) A quality-based sector funding system, rewarding local governments for quality sector strategies with access to "open menu" sector funds, and refraining funding locally inappropriate sector policies.

(4) A different treatment for innovative and well performing local governments (or at least as a pilot for a selected number of local governments).

(5) A research fund, allowing local governments access to funds for quality research

We recommend for Government and AusAID to use the capacities of local universities' research centres as they have the potential, the local wisdom and knowledge and to strengthen their capacities in:

(1)   Local governments' awareness building about the importance of evidence-based public policies and supporting local governments identifying development constraints and policy issues through (logical framework) workshops involving all key stakeholders.

(2)   Analytical methods, writing skills, producing good quality analytical documents, conducting lively public policy debates (involving parliamentarians and media), and producing quality / fancy publications (including summaries in English).

To develop the knowledge sector with local universities' research centres we recommend for Government and AusAID to establish and use a network of regional / big brothers universities to coach and network with local universities' research centres and local governments' planning agencies, and to support them with:

(1) Identifying priority policy needs, collecting research done, establishing data banks and allowing them to become knowledge centres.

(2) Identifying evidence-based public policies and research–based public policy advice that successfully inspired local public policies to be made available and serve as examples to local governments and research institutions.

(3) Providing back-up support to local universities research centres / research institutions to improve their analytical methods, writing skills, producing quality / fancy documents and conducting policy debates.

(4) Putting quality research in the spotlight, reward them (as Java Post rewards innovative governance under decentralisation) among others with access to research funds.

(5) Examining possibilities to establish research centres as business entities in state universities and coach them through local governments' procurement processes.

When there is a need to set priorities among the recommended options than triggering the demand for knowledge needs to be priority one. Demand for knowledge will be triggered either by imposing them or by creating the certainty that better policies are appreciated and that the extra effort is being appreciated. As long as bad policies are allowed and as long as extra efforts are not appreciated, demand for knowledge will only come when imposed.

To trigger demand for knowledge, one has to not only address the issue in a comprehensive way, such as, making it compulsory, monitoring results, acknowledging good results, appreciating extra efforts, but also by making sure that the supply side is satisfying, of reasonable quality, applicable, so that it triggers the demand for more.

Don't supply but rather trigger the demand for knowledge

ANNEX - Documents Consulted / Reviewed

Government laws, regulations and directives
1. Law 18-2002 on National Research
2. Law 17-2003 on State Finance
3. Law 22-2003 on Legislative Bodies
4. Law 10-2004 on Laws and Regulations
5. Law 25-2004 on National Planning
6. Law 32-2004 on Regional Government
7. Law 33-2004 on Fiscal Decentralisation
8. Law 8-2005 on revision of Law 32-2004
9. Law 28-2009 on Local Taxes and Fees
10. Government Regulation 38-2007 on Distribution of Affairs among Levels of Government
11. Government Regulation 8-2008 on Local Development Planning
12. Presidential Regulation 15-2010 on Acceleration of Poverty Alleviation
13. Presidential Regulation 54-2010 on Procurement
14. Ministry of Finance Regulation 216-2010 on 2011 Special Budget Allocations
15. Ministry of Finance Regulation 247-2010 on 2010 School Operational Assistance
16. Ministry of Home Affairs Regulation 16-2006 on Local Regulations
17. Ministry of Home Affairs Regulation 37-2010 on Annual Budget 2010
18. Ministry of Home Affairs Regulation 54-2010 on Local Development Planning
19. Ministry of Home Affairs Guideline 6-2008 on Evaluation of Local Governments
20. Ministry of Home Affairs Guideline 50-2008 on RKPD
21. Ministry of Health Guideline on Public Health Insurance, June 2010
22. Ministry of Health Guideline 362-2011 on Health Clinics Operational Assistance
23. Ministry of Health Decision on Specials Budgets for Health in 2011
24. Ministry of Education Guideline 37-2010 on School Operational Assistance for 2011
25. Vice President's Office Guideline for Poverty Alleviation, January 2011

Related Studies and Analises
26. Paper - Comparative experience of middle income countries by Greta Nielsen
27. Paper – history and lessons learnt from SMERU by Sudarno Sumarto
28. Paper – review of social science capacity building support to Indonesia's knowledge sector Dr. John McCarthy and Rustam Ibrahim
29. Paper – knowledge for policy: regulatory obstacles to the growth of a knowledge market in Indonesia, by Stephen Sherlock
30. Raymond J. Struyk, Managing Think Tanks, 2nd Edition
31. Economic Governance and the Asian Crisis, AusAID, April 2003
32. Beyond Ideology, Politics and Guesswork, the case for evidence-based policy, Urban Institute, May 2003
33. What Works Wisconsin Research Practices Series, October 2007
34. Evidence-based policy: principles and requirements, Brian Head, University of Queensland, 2009
35. Research on implementation of regional autonomy in Lampung province, Drs. Syarief Makhya MSi, Armen Yasir SH, MH and Maulana Mukhlis SSos MIP, research centre, Lampung University
36. PNPM Operational Manual (Bappenas)
37. Ministry of Finance, Analysis of local government budgets (APBD) 2010
38. Ministry of Finance, national budget (APBN) 2010
39. National Statistics Office (BPS) Strategic Data, August 2010
40. MDG Report Indonesia 2007, Bappenas-UNDP, November 2007
41. SMERU School Operational Assistance in 2005, September 2006,
42. USAID School Based Management 2005-2010 Impact Study, July 2010

Local Government Public Policies
43. RPJMD West Sumatera province
44. RPJMD Solok city
45. RENSTRA of agriculture, fishery and plantations agency Solok city
46. RENSTRA of cooperation, industry and trade agency Solok city
47. RENSTRA of food security agency Solok city

48. RENSTRA of social affairs, employment and transmigration agency Solok city
49. RENSTRA of education agency Solok city
50. RENSTRA of health agency Solok city
51. RPJMD Solok regency
52. RKPD Solok regency
53. RENSTRA of forestry and plantations agency Solok regency
54. RENSTRA of people empowerment agency Solok regency
55. RENSTRA of agriculture, fishery and livestock agency Solok regency
56. RENSTRA of family planning and women empowerment agency Solok regency
57. RENSTRA of education agency Solok regency
58. RENSTRA of health agency Solok regency
59. RPJMD Bandar Lampung city
60. RENSTRA of health agency Bandar Lampung city
61. RENSTRA of education agency Bandar Lampung city
62. RENSTRA of family planning and women empowerment agency Bandar Lampung city
63. RENSTRA of social affairs, employment and transmigration agency Bandar Lampung city
64. RENSTRA of agriculture agency Bandar Lampung city
65. RENSTRA of cooperatives, industry and trade agency Bandar Lampung city
66. RPJMD Pesawaran regency
67. RENSTRA of family planning and women empowerment agency Pesawaran regency
68. RENSTRA of social affairs, employment and transmigration agency Pesawaran regency
69. RENSTRA of education agency Pesawaran regency
70. RENSTRA of agriculture and livestock agency Pesawaran regency
71. RENSTRA of marine and fishery agency Pesawaran regency
72. RPJPD Gorontalo city
73. RPJMD Gorontalo city
74. RKPD Gorontalo city
75. RPJMD Gorontalo regency
76. RKPD Gorontalo regency
77. LAKIP Gorontalo regency
78. RENSTRA of education agency Gorontalo regency
79. RENSTRA of health agency Gorontalo regency
80. RPJPD Bantaeng regency
81. RPJMD Bantaeng regency
82. RKPD Bantaeng regency
83. RENSTRA of family planning and women empowerment agency Bantaeng regency
84. RENSTRA of social affairs, employment and transmigration agency Bantaeng regency
85. RENSTRA of education agency Bantaeng regency
86. RENSTRA of health agency Bantaeng regency
87. MDG Report of Bantaeng regency 2009, Bappeda Bantaeng
88. RPJMD Gowa regency
89. RKPD Gowa regency
90. Citizens Engagement Plan of Gowa regency (ACCESS)
91. RENSTRA of social affairs, employment and transmigration agency Gowa regency
92. RENSTRA of family planning and women empowerment agency Gowa regency
93. RENSTRA of education agency Gowa regency
94. RPJMD Maros regency
95. RENSTRA of family planning and women empowerment agency Maros regency
96. RENSTRA of social affairs, employment and transmigration agency Maros regency
97. RENSTRA of education agency Maros regency
98. RENSTRA of health agency Maros regency
99. RENSTRA of agriculture agency Maros regency
100. RPJPD Pasuruan city
101. RPJMD Pasuruan city
102. RENSTRA of cooperation, industry and trade agency Pasuruan city
103. RENSTRA of social affairs, employment and transmigration agency Pasuruan city
104. RPJMD Lamongan regency
105. RKPD Lamongan regency
106. LAKIP Lamongan regency
107. RENSTRA of agriculture agency, Lamongan regency