

## United Nations Development Programme

Country: Indonesia

### Project Proposal to AusAID

<b>Project Title</b>	The Provincial Governance Strengthening Programme (PGSP)
<b>Implementing Partner:</b>	BAPPENAS
<b>Responsible Parties:</b>	BAPPENAS, MoHA, Local Governments

#### Brief Description

To address challenges related to decentralization, the Government of Indonesia initiated the Provincial Governance Strengthening Programme (PGSP) in 2010, which works to strengthen the roles and functions of provincial government through participatory policy making, regional development planning, and public service delivery, leading to the realization of national and local development objectives and improvement of the quality of life of the poorest. The project is executed by the National Planning and Development Agency (*Badan Perencanaan dan Pembangunan Nasional*/BAPPENAS) in close collaboration with the Ministry of Home Affairs and the United Nations Development Programme (UNDP). The project works closely with the provincial governments of Bangka Belitung, Gorontalo and Nusa Tenggara Timur (NTT) in the implementation of PGSP at the provincial level.

The project has the following key outputs: 1) Enhanced policy and regulatory framework that further clarifies and strengthens roles and functions of provincial government; 2) Strengthened provincial government capacity in economic development planning and budgeting; and 3) Enhanced public service delivery through governance innovations, implementation of minimum service standards and public complaint mechanisms.

The overall target budget for the proposed outputs is USD 8,295,050 for implementation over a three-year period. Now halfway through the implementation, the programme has mobilized resources from the Decentralization Support Facility (DSF) and UNDP core resources. The total resources that have been mobilized so far amount to USD 1,950,000. In order to achieve the remaining milestones, the project seeks AUD 4,900,000 from AusAID to achieve the remaining proposed targets, focusing on strengthening the government's functional capacity and ensure that the required legal and regulatory framework is in place. The proposal focuses on technical assistance to the national government, as well as the provincial and district provinces in the pilot provinces of Bangka Belitung and Gorontalo, and to a limited extent in NTT.

Programme Period: 3 Years

Proposal Period: 2 Years

Start date: 1 September 2011

End Date: 31 July 2013

Mgmt Arrangements: National Execution

Total resources required: USD 8,295,050

Total allocated resources: USD 1,950,000

- UNDP TRAC: USD 250,000
- DSF: USD 1,700,000

Amount of this proposal: **AUD 4,900,000**

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## I. SITUATION ANALYSIS

Indonesia began the process of reformation (*reformasi*) in 1998, which resulted in decentralization as mandated by Law No.22/1999 on Regional Government.<sup>1</sup> This law emphasized the role of district governments as the central locus of regional autonomy, and removed the hierarchical structure between provincial and district governments. Under the new law, the two governments were treated autonomously, without organizational ties between the two structures.

This structure has resulted in confusing intergovernmental relations. National and provincial linkages to district level governments were weak, and their roles were unclear. Dwindling coordination, unclear division of labour and a lack of alignment to conflicting national priorities and regulations were among the results of the law.

After three years, the law was revised (Law No.32/2004)<sup>2</sup>, but many of these issues remained unresolved. A dual role of the provincial governors (as both heads of autonomous regions and representatives of the national government in the province) was clearly stated in the law, but at the same time links between provincial and district governments were still lacking. In addition, the mandate for governors in coordination with district government was weak, and governance capacity in district governments was limited.<sup>3</sup> While the first decade of decentralization was focused primarily on attempting to resolve these internal issues, external government responsibilities, including public service, were also neglected.

The Provincial Governance Strengthening Programme (PGSP) aims to offer technical assistance to resolve these remaining internal issues. Through policy reformulation and implementation, a focus on the provision of public services, and the participation of a wider group of stakeholders, including non-state actors, PGSP will address both the supply and demand sides of governance.

In 2010, the Government of Indonesia initiated the Provincial Governance Strengthening Programme executed by the National Planning and Development Agency (*Badan Perencanaan dan Pembangunan Nasional/BAPPENAS*) in close collaboration with the Ministry of Home Affairs and the United Nations Development Programme. PGSP strengthens the roles and functions of provincial government through effective participatory policy making, regional development planning, and public service delivery, leading to the realization of national and local development objectives and the improvement of the quality of life of the poorest. These three distinct outputs include the following (programme details can be found in Annex 1):

- Output 1: Enhanced policy and regulatory framework that further clarifies and strengthens roles and functions of provincial government;
- Output 2: Strengthened provincial government capacity in economic development planning and budgeting; and
- Output 3: Enhanced public service delivery through governance innovations, implementation of minimum service standards, and public complaint mechanism

The section below summarizes the current situation, and provides also brief a gap analysis and needs assessment of governance issues in general, and decentralization issues in particular.

### A. Policy and Regulatory framework

The project focuses on support to the revision of Law No.32/2004 on Regional Government and related activities. During the process of designing PGSP, the policy atmosphere was dominated

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<sup>1</sup> Its sister law was also launched in parallel Law No.25/1999 on Fiscal Equalization.

<sup>2</sup> Law No.25/1999 was also revised and replaced by Law No.33/2004.

<sup>3</sup> Among others, the examples of the first decade of decentralization issues are at what level of jurisdiction the administrative autonomy should be located, in what sector the autonomy should be given, how and how much the autonomy should be financed by intergovernmental transfer, how many new jurisdictions can be established, etc.

completely by the revision of this law, which was expected to be relatively straightforward. However, the process of law revision has taken longer than expected, partly due to protracted consultations with line ministries and local governments. At the same time, related policies and implementing regulations have changed. As a result, the overall strategy to achieve this output needs to be adjusted and new initiatives are required.

#### Progress and Achievements

The first decade of Indonesia's decentralization witnessed the dynamic policy changes, including constant revision of laws and regulations. This has included, as mentioned above, replacement of Law No.22/1999 with Law No.32/2004 on Regional Government (which is currently being revised again).

The project has supported the dissemination of and public consultation for revision of Law No. 32/2004 on Regional Government. **A more clearly defined role and function of the governor and provincial governments are visible in the draft bill on regional government** where the provincial government is authorized to coordinate and monitor local development at the city/regency level. A draft of this law has been produced and disseminated to stakeholders with PGSP support. In mid 2011, a number of issues in the draft were raised at the executive level, generating the need for negotiation sessions. These issues included the formulation of equalization fiscal transfers (from the Ministry of Finance/MoF) and the design of the regional civil service system (Ministry of State Apparatus and Bureaucracy Reform/MoSA-RB). These issues are now resolved and a number of technical issues have also been resolved between Echelon 1 level staff of MOHA and MoSA-RB, as well as between Echelon 1 level officials from MOHA and MOF. The process of harmonizing the laws and regulations, led by the Ministry of Law and Human Rights (MoLHR), will be followed by the approval of the President prior to deliberation by the Parliament.

The project has also supported the implementation of regulations on the role of governor enacted in 2010-2011. Those regulations are:

- 1) **Government Regulation No.19/2010** addresses the status and authority of provincial governors as the representative of the national government. As a result of this regulation, a circular on coordination mechanisms between national ministries and local governments was jointly issued by the National Planning and Development Agency (BAPPENAS), MoHA and MoF in November, 2010. The joint circular put special emphasis on the clarification of the roles of governor, including 1) the effectiveness of national programmes via deconcentration and functional assignment schemes; and 2) concurrent affairs related to poverty alleviation programmes.
- 2) **Government Regulation No.23/2011** enacted in April 2011 to complement or revise some clauses stated in Government Regulation No. 19/2010. This particular regulation provides increased administrative powers to governors in implementing authority, as well as to the MoHA in regulating the role of the governor. There still exists some ambiguity with regards to full implementation of this regulation, which will require further clarification at both the provincial and national levels.
- 3) **Law No.25/2004** on National Development Planning Systems has also been undergoing revision to adapt to current condition and challenges, particularly the consistency between development planning documents, between planning and budgeting processes, and between different institutions.

#### Need Analysis

The on-going support to the revision of Law No.32/2004 in the form of public dissemination of the draft bill is no longer strategic and needs to be reoriented. The earlier target, the existence of a special section describing articles on strengthened status and the role of provincial governors, has already been achieved. However, the achievement of this target depends heavily on the overall success of the revision. The next stage of deliberation process, therefore, must still be supported to ensure that the strengthened status and role of provincial governors is sustained, and that **wider public participation** is prioritized in regional development.

Apart from support to the law revision, new support to the regulatory frameworks of GR No. 23/2011 and the Three-Ministry Joint Circular (*Surat Edaran Bersama/SEB*) 2010 are considered more strategic. These are not integrated into the current PGSP strategy, which must therefore shift support from law

revision to the **formation of institutional and financial regulatory setup for provincial governors to function** in their roles as the representative of national government (including implementing deconcentration and functional assignment principles), and providing support to the formulation of the dual role division to ensure balance with the other role of governor as the head of autonomous jurisdictions (implementing the principles of regional autonomy in administration, finance and politics).

**Planning in the context of decentralization must also be addressed.** The current law related to national planning (Law No.25/2004) is not only “value-heavy”<sup>4</sup>, but is also not harmonized with Law No.17/2003 on the State Budget (at both at national and subnational levels), and does not link to provincial or district-level planning mechanisms. PGSP will therefore address this particular issue.

## B. Planning and Budgeting

As part of the effort to provide tools to help local governments strengthen their planning and budgeting processes, the project focuses on mechanisms such as the Provincial Human Development Report, which is a tool with the potential to link national and regional plans and budgets, as well as policy papers, consisting of a number of modules for the Regional Medium-Term Development Plan (*Rencana Pembangunan Jangka Menengah Nasional-RPJM*), that are required for effective development planning. At the provincial level, the project focuses on providing support to improve the quality of the planning process through capacity building and technical assistance.

### RPJM Supervision and Strengthening Musrenbang

#### Progress and Achievements

The current National Medium-Term Development Plan expires at the end of 2014, and therefore requires evaluation of its implementation at the subnational level. It will also be important to evaluate how it links to Regional Medium-Term Development Plans (RPJMD). The development of new Medium-Term Development Plans must also be harmonized with Long-Term Development Plans (*Rencana Pembangunan Jangka Panjang-RPJP*).

The current National Annual Development Plan (*Rencana Kerja Pemerintah-RKP*) is developed through the Participatory Development Planning Process (*Musyawarah Rencana Pembangunan-Musrenbang*), which works from the village up to the national level as a forum to synergize development planning. However, national and regional development plans are not always aligned and integrated. A number of **factors impeding effective development planning have been identified** by the government: 1) development goals and objectives are not sharply defined; 2) the deliberation process is merely focused on Deconcentration and Functional Assignment Funds (*Dekonsentrasi/Tugas Pembantuan*), while issues related to fund transfer, regional investment plans and banking credit are neglected; 3) development programmes designed by national ministries are too normative, with no clear explanation; 4) the national-provincial arrangement of programmes and activities is not standardized, thus potentially disconnecting planning from budgeting; 5) priorities in programme criteria are unclear; 6) the Musrenbang process is bound to a schedule which does not allow for adequate deliberation between national ministries and provincial governments; and 7) there is no guarantee that the results of Musrenbang will be used as the basis for formulating the national development plan.

In addition to these factors, it is also important to note that provincial governors have limited influence in Musrenbang, which results in governors acting merely as implementing agents of national priorities, with little say in the formulation of local policies. Incongruity between national, provincial and district priorities are another issue, and can be explained by limited technical capacity to align planning with varied interests, in a time frame that does not allow for adequate deliberation. A new approach and strategy is needed to deal with these issues in order to create an improved scheme that allows a more aligned planning between central and local government within the current limitations.

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<sup>4</sup> The law states that development planning mechanisms must incorporate four values: political, technocratic, top-down and bottom-up processes.

### Need Analysis

The alignment of national and regional development plans is currently limited to the socialization of national priorities as stated in the Medium-Term Development Plan (RPJM). The project has identified two major areas that are further required to align national and regional development plans, as well as to increase the quality of annual development plans at the national and regional level (RKP and RKPD). First, the national government needs to **socialize** national priorities and **policies to the region/subnational level**. At the same time the subnational level needs to escalate their issues so that the national level is made aware of these issues when they are setting national priorities. Second, an **incentive is needed to motivate** the subnational governments as well line ministries in aligning national and local policy/development plans. In line with this, an **assessment based on monitoring the RPJM-related decentralization and local autonomy practices** must be done.

Planning and Budgeting Tools Method: P3BM (Pro Poor Planning, Budgeting and Monitoring-Evaluation) and PHDR (Provincial Human Development Report)

### Progress and Achievements

The Provincial Human Development Report (PHDR) is an effective tool to guide provincial governments in aligning budget allocations with the development needs of districts, and to this end, PGSP already supports the **formulation of PHDR guidelines to institutionalize the human development paradigm into planning and budgeting**.

Gorontalo has used the **Human Development Index (HDI) to direct and steer their development plans and budgets**. For Gorontalo, the HDI is a valuable tool that enables provincial governments to coordinate district governments and improve the technocratic basis of planning and budgeting. In Bangka Belitung, initial activities to develop a PHDR are taking place.

Another tool that is already familiar to the provincial government is Pro-Poor Planning, Budgeting and Monitoring (P3BM). P3BM was launched by BAPPENAS in 2008 (with the support of UNDP's Poverty Reduction Unit), which assists government officials (both executive and legislative) as well as civil society organizations to understand and design development plans and budgets using current and relevant data to target effectively. Gorontalo has received training on P3BM and is currently using the tools of **P3BM to strengthen the Local Medium-Term Development Plan (RPJMD)**. The initial work is currently under way, and is expected to be finalized by the end of September 2011.

### Need Analysis

Availability of accurate empirical data as reference for planning and budgeting is crucial. There is a gap in this area, as indicated by a technical assessment carried out by the project at the end of 2009. Provincial governments face challenges related to data collection, as well as in using the right tools and approaches in providing a valid reference for planning and budgeting. It is clear that provincial governments need the **capacity and skills to apply evidence based data for planning and budgeting**.

Given that both P3BM and PHDR have only recently been introduced and the implementation of these tools are still limited, there is a need to provide further assistance to provincial government on the **institutionalization of these tools as strategic mechanism to strengthen planning and budgeting** and engagement of broader multi-stakeholders.

## C. Governance Innovations

The project focuses on the innovation of governance practices – lessons learned and best practices are collected and shared in order for better development outcomes and public service delivery to be achieved.

## Delivery Improvement and Local Governance in Gorontalo

### Progress and Achievements

Through UNDP, Gorontalo was one of the pilot provinces of the Building and Reinventing Decentralized Governance (BRIDGE) project, which focuses on district level health and education sectors. The project resulted in **the use of the Human Development Index by provincial governments, and the development of Capacity Assessment-Capacity Development Report**. While the provincial government is currently carrying out evaluation of applying the Human Development Index in planning and budgeting, they have not fully implemented the Capacity Assessment- Capacity Development.

AusAID's DIALOG has started its initial phase in Gorontalo, with a focus on public service delivery and public financial management at the district level, specifically in the health and education sectors. There is therefore the opportunity to strengthen public service delivery at the district level through better linkages with provincial level governance.

### Needs Analysis

Decentralization has transferred authority to regional government for the provision of public services, including basic services and non-basic public services (including population registration and residential regulations, as well as private sector rules). Public service delivery, however, is far from satisfactory, and in almost all fields, weak governance and mismanagement are impediments to development.

A particular issue in Gorontalo is the harmonization between district and provincial government offices. To this end, collaborative mechanisms are required. A Capacity Assessment-Capacity Development (CA-CD) initiative will evaluate the performance of the public sector, and can contribute to the overall delivery of public services delivery in the province. CA-CD highlights the importance of existing capacities as the starting point for capacity development. It also provides an opportunity to build an evidence base for the formulation of a capacity development response. At the same time, CA-CD can be used also to **establish capacity baselines for measuring, monitoring and evaluating progress** in capacity development, and recommend some **focused resource allocation** high-priority capacity needs. DIALOG (Delivery Improvement and Local Governance) is an AusAID led initiative that also has the potential to contribute to strengthening these efforts in Gorontalo.

## Governance in Economic Development in Bangka Belitung

### Progress and Achievements

Through a technical assessment done in 2010, PGSP has identified that the historical success of the Muntok peppercorn (*piper nigrum*) market is a strategic entry point for the provincial government to exercise coordination, coaching, mentoring and monitoring and evaluation through the formation of institutional arrangements and synergies between the provincial and district government. This activity engages a new group of sectors and stakeholders. PGSP strategies support the following: 1) mapping the competency and capacity of institutions and stakeholders relevant to pepper revitalization according to the authority and responsibility as well as substantive, managerial and technical capacity of each institution; 2) capacity development to improve and strengthen the substantive, managerial and technical capacity of relevant institutions to undertake their respective responsibilities; and 3) formulation of rules and policies to create stimulus in investment, production and trade.

### Needs Analysis

A **road map of pepper revitalization** is being designed. The roadmap will become the foundation of improvement in the governance of pepper revitalization. Further activities of this project will be based on this roadmap.

## MSS and the Role of the Governor

### Progress and Achievements

The Government of Indonesia has released Government Regulation No.65/2005 to guide the formulation and implementation of Minimum Service Standards. However, these guidelines are restricted to particular sectors and administrative jurisdictions. In addition, Minimum Service Standard definitions are in some cases inadequate, addressing, for example, only the quantitative targets of particular portfolios. While the demands for these standards are increasing, the cost of MSS implementation is largely unknown, and the division of roles across different government layers in implementation is also unclear. In addition to the supply side of MSS implementation, the role of demand (including complaint handling mechanisms, for example) has not been adequately addressed.

Support to policy deliberation and formulation on Minimum Service Standards is not taken into account in the current PGSP strategy. In addition to the policy package on MSS that is currently being developed, the project must also support MSS policies by developing intergovernmental relation among layers of government to translate MSS policies into strategies, establishing financial setup to equip MSS operationalization and formulating complaint and grievance handling institutions.

### Needs Analysis

At the provincial level, the governor plays an important role in ensuring not only the implementation of minimum service standards, but also the quality of implementation at both provincial and district levels. One example of the success of this goal has been the initiative taken by Gorontalo province, which has requested an **agreement between the districts of the province on the definition and standards of MSS**. Through PGSP, the province of Gorontalo aims to have this agreement in place by 2011, which will be obtained by surveying six cities/regencies and will culminate in the development of an assessment model for coordination, technical assistance and monitoring planning of MSS in the health sector. The Bangka Belitung provincial government views it necessary to conduct a study reviewing the formulation of MSS in the welfare sector. Gorontalo and Bangka Belitung province each conducted workshops in June 2011 that aim to support the provinces in achieving MSS. The objective of the workshop in Gorontalo was to **revise the existing SOP on implementing MSS through a participatory survey**. Bangka Belitung was still at the stage of consolidating a definition of MSS in order to develop a **strategic direction and policy for effective MSS, particularly in the health sector**. In addition, the government of Bangka Belitung has requested the project's technical assistance and financial support in establishing an information center on regional development. This information centre aims to provide the data and information required for policy making both at the regional and national levels and aims to assist policy makers in determining the potential and comparative/competitive advantages offered by all parts of the region. The **information centres will also serve as a tool to deliver public services, storing and managing information on the development of Bangka Belitung Province**, and making information easily accessible by the public. It is also a priority for the project to produce **policy recommendations regarding the allocation of budget to fulfill minimum service standards**.

The participation of a wide range of stakeholders, including community members, in the development process is an important aspect of local government policy, and can be further strengthened by policy dialogues to monitor local budget allocations. To this end, an assessment of current efforts in this area should be carried out (with the development of a tool-kit), and lessons learned shared and replicated in all three provinces.

According to a policy paper issued by the project in February 2011, supporting financial and organizational structure is required by governors to carry out their roles as representatives of central government and heads of regional autonomy. The Joint Circular (SEB) 2010 calls for the establishment of coordination teams (one for coordinating the implementation of provincial deconcentration, and another for coordinating poverty alleviation), but there are unresolved issues related to staffing, competency and rank, organizational structure and accountability that must still

be resolved. There is also the issue of an adequate budget for governors to carry out coordinating, monitoring, and evaluating local development. According to Government Regulation No.19/2010, the budget of the governor should focus more on technical and administrative processes than substantial outcome performance. It is therefore crucial to carry out an assessment of these dual functions of the governor, as well as to develop a strategy to address these issues.

## **Public Complaint Mechanisms**

### Progress and Achievements

There is currently a lack of public complaint mechanisms within public service delivery, despite the integration of this provision in Law No.25/2009 on Public Services. Supply side issues such as the preparation of rules and regulations, infrastructure, organization and human resources have been addressed, but the integration of a complaint and grievance handling mechanism into service delivery systems is still lacking. Public complaint mechanisms must be established to deal with citizen's complaints, grievances, and allegations, and must include an investigation system as well as the arrangement of dispute resolution mechanisms.

### Needs Analysis

The past and current project activities do not address the demand side, and the development of public complaints mechanisms will therefore be integrated into the project as a new initiative.



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## II. STRATEGY

This project aims to strengthen provincial government, and has a strong connection with the AusAID initiated DIALOG programme that reinforces the role of the central and provincial governments in improving the performance of district governments, while also supporting the development of stronger downward accountability to citizens through support for civil society. It also contributes to the AusAID common framework, which includes strengthening decentralized governance.

### II.1. Intended Activity

With the already accomplished progress and needs as elaborated in the above situational analysis, the programme proposes to AusAID the continuation of project implementation with the same output structure, however, with a focus on the activities outlined below:

#### A. Output 1: Policy and Regulatory framework

This output focuses on the establishment of a policy and regulatory framework on decentralization, with particular attention to the revision of Law No.32/2004 on Regional Government and related activities. The target for this output is to have a more clearly defined role and function of the governor and provincial governments visible in the draft revision of Law No. 32/2004, where the provincial government is authorized to coordinate and monitor local development at the city/regency level. By having the provincial government coordinating and monitoring the local development, the city/regency government will be able to improve local development, through, for example, the provision of better public services for the community. To achieve this output the programme will focus on the following activities:

##### Activity 1.1. Support to Formulation and Implementation of Revised Law No.32/2004

The revision of Law No.32/2004 will continue to be drafted throughout 2011, with promulgation expected sometime by mid-2012. Regulations linked to the new Law can only start being supported after promulgation. It will be necessary to confirm that PGSP will have an acknowledged role as a contributor to the formulation of these regulations. The project will focus on three priorities in supporting the revision of the law, including supporting the expansion of participation in the reformulation of the law through public awareness activities. Technical support will also be given to the deliberation process. Finally, attention will be paid to the regulations that are currently being drafted (to replace the existing regulations) in order to ensure that they are aligned.

In implementing the public awareness program, the project will engage with CSOs that have long-standing experience in policy advocacy and public outreach. In this way, the public at large will have the opportunity to engage in the debate on the revision of Law No.32/2004.

##### Activity 1.2. Support to the Implied Expansion of GR No.23/2011 and SEB (Joint Circular) 2010

The activity will address issues related to the formation of institutional and financial regulatory setup, as the implied agenda of the GR where the governor is seen as the representative of national government. It will also look at issues related to the other role of the governor as head of an autonomous province, who must implement provincial agendas mandated by their constituents. These two aspects represent the two principles of decentralization - deconcentration and functional assignment on one side, and administrative, fiscal, and political autonomy principles on the other side. Based on this, the project will support the provincial government in applying GR No. 23/2011 and the Joint Circular letter (SEB) in their government workplan (RKP) for the year of 2012. Through technical assistance, capacity building and workshops, the project aims to strengthen provincial government offices (SKPD) in deconcentration/functional assignment and concurrent functions. The support will culminate into the formulation of a provincial team on deconcentration funds and the formulation of a team on concurrent issues, such as poverty alleviation. In addition, coordination between provincial government and central government will also be addressed through this support.

### Activity 1.3. Support to the revision of Law No. 25/2004 on National Development Planning System

Under this activity, the project will provide technical assistance to the Government of Indonesia in the form of analysis on the concept, design and implementation of Law No.25/2004, resulting in an academic paper. This will include the identification of challenges related to synergies with Law No.17/2003 and subnational development plans. The revision of Law No.32/2004 will also be taken into consideration. The project will ensure that the academic paper acknowledges different development needs that apply to women and other vulnerable groups. The project also recognizes the different roles and capacities of women and vulnerable groups in planning for development. The project will therefore ensure that women and other vulnerable groups are consulted in the surveys, interviews and represented in focus group discussions (FGDs) and workshops that contribute to the formulation of the academic script and the legal drafting.

## B. Output 2: Planning and Budgeting

This output focuses on the alignment of national and local development priorities and plans. Through this output, the project will apply tools such as Pro-Poor Planning, Budgeting, and Monitoring-Evaluation (P3BM) and the Provincial Human Development Report (PHDR), and will initiate a Decentralization Award to strengthen the link between national and regional plans to achieve effective development planning. The target for this output is to create an evidence-based development planning. The tools as well as the capacity buildings are important to improve the participatory mechanism in development planning and budgeting so that the community and civil society will understand the process and have more contribution in obtaining the public service. To accomplish this, the project proposes the following activities:

### Activity 2.1. Support to Alignment of Annual National-Regional Development Plans (RKP and RKPD)

The project, in collaboration with BAPPENAS, will develop a guidance note on the alignment of national and regional development plans through support to linking government offices (*Satuan Kerja Perangkat Daerah-SKPD*) with national line ministries. This note is expected to provide step-by-step guidance for both government offices (SKPD) and national line ministries in aligning national priorities into regional plans, while at the same time recognizing the needs of the regions in the national development plan. The guidance note will be developed by a team of experts led by BAPPENAS, in consultation with officials from local government and line ministries.

Further support will be provided to strengthen the provincial Musrenbang institutions that make the authorities of governors much more pronounced at national and district levels, as well as to **develop the capacity of national and provincial government officials in the Musrenbang process**, particularly through reformulating the Musrenbang technical arrangements, technical assistance to government offices (SKPD), and promoting increased and more inclusive public participation (through, for example, CSOs). From the demand side, support will be given to initiatives that open public participation and provide Musrenbang information to the general public. Through capacity building, the project will ensure that Musrenbang facilitators will ensure that information is accessible to women and vulnerable groups, so that they are able to voice their inputs in development planning. The project will also ensure that women and vulnerable groups are represented in the Musrenbang process.

### Activity 2.2. Support to the Monitoring of RPJM-related Decentralization and Local Autonomy Practices

As part of the efforts to align national and local policy/development plans, the project plans to support the government in initiating an incentive to motivate the subnational as well as line ministries that are successful in aligning national and local policy or development plans. A "Decentralization Award" will be offered, based on indicators developed by the project, which will assess the monitoring of RPJM-related decentralization and local autonomy practices. In order to do this, the project will review the implementation of Medium-Term Development Plans (RPJM). Lessons learned from the implementation of the RPJM will also be developed and shared with relevant stakeholders.

### Activity 2.3. Piloting of P3BM Application for Planning and Budgeting

The project will assist local governments in mainstreaming the Millennium Development Goals (MDGs) into the formulation, implementation, and monitoring of provincial development strategies, and will help build the capacity of relevant stakeholders to plan and budget using Pro-Poor Planning, Budgeting, and Monitoring-Evaluation (P3BM).

In undertaking this activity, the project will closely collaborate with the Poverty Reduction Unit of UNDP and the Directorate for Poverty Reduction at BAPPENAS to ensure that capacity development efforts will be sufficient and coordinated, including, in particular, providing training to civil servants, parliamentarians, civil society at subnational levels in formulating pro-poor and MDG oriented planning and budgeting. This will also ensure the active participation of relevant stakeholders, including communities, civil society, development partners and the private sector in all stages of the development planning processes. Coaching and mentoring will be provided, and the establishment of data forums will ensure the institutionalization of the methodology and the capacity of provincial government to become the center of excellence in the region in preparing MDG reports. Capacities to strengthen the gender dimension will be integrated into all of these efforts and internalized within current government structures and systems.

In order to measure the above efforts, the project will track the extent to which the MDG reports are used in guiding pro-poor and MDG oriented policy formulation and the extent to which pro-poor and MDG database systems and poverty maps are used and accessible for policy formulation. As a result, there should be an increase in the number of pro-poor and MDG oriented policies and programmes developed and implemented, as well as a subsequent increase in provincial budget allocations for poverty reduction and MDG achievement.

It is expected that the provincial governments of Bangka Belitung and Gorontalo will not only have regional budgets oriented to poverty and gender dimensions using the P3BM-based development monitoring mechanism, but also a legal framework to ensure their sustainability and use in the future. The project will ensure that women, the poor and other vulnerable groups are consulted in applying the tools of P3BM as well as in designing the legal framework to institutionalization of P3BM.

### Activity 2.4. Mainstream Human Development Orientation to Planning and Budgeting

The project will support provincial governments to institutionalize Human Development into their planning and budgeting mechanisms.

In Bangka Belitung and NTT, project support will ensure that Human Development Reports are formulated, which includes the establishment of a multi-stakeholder working group responsible for coordination of existing programmes and activities. As part of the project's effort in acknowledging the roles of women and other vulnerable groups in development, the project plans to build the capacity of local women's NGOs to go beyond their traditional socialization and awareness raising campaigns, enabling them to embrace a multi-dimensional approach to women's empowerment. The project plans to introduce gender action plans at district/province level with the delivery of these plans set as a key performance indicator for Heads of Offices'. This will be implemented in NTT as a test case. In Gorontalo, evaluation of the application of Human Development indicators in the planning process will measure the effectiveness of the tool, and will be finalized in September 2011. Following this evaluation, lessons learned will be shared and applied in the institutionalization of the HD framework into provincial planning and budgeting processes.

Coaching and mentoring will be provided, and the establishment of data forums will ensure the institutionalization of methodologies and capacities to prepare Provincial Human Development Reports. Capacities to strengthen the gender dimension will be integrated into all of these efforts and internalized within current government structures and systems.

It is expected that provincial governments will not only produce Provincial Human Development Reports, but also a legal framework to ensure their sustainability and use in the future. The project

will ensure that women, the poor and other vulnerable groups are consulted in applying the tools of HD as well as in designing the legal framework of PHDR.

### C. Output 3: Governance Innovations

This output aims to influence key “drivers of change” in partner provinces and to support provincial partners to take charge of future capacity development efforts. Ultimately, this output aims to contribute to the improvement of service delivery. The efforts on implementation of MSS and complaints mechanism will open the door for communities to have better access for public service delivery and better quality of the public service. To achieve this, the project proposes the following activities:

#### Activity 3.1. Capacity Assessment and Capacity Development Strategy on Public Service Delivery

Capacity development activities for the provinces to improve performance of local agencies in coping with public service challenges will focus on the province’s own work-units and personnel (who will become trainers on their part) as well as to district agencies and their personnel.

The project will focus on supporting relevant government offices (*Satuan Kerja Pemerintah Daerah/SKPDs*) and service providers’ functional capacities (e.g. coordination, engagement with stakeholders, planning, implementation and monitoring) related to public service delivery. The project will undertake a capacity assessment, involving both internal and external stakeholders, to solicit their perception on SKPD’s and service provider’s capacity level according to its mandated functions, roles and responsibilities; as well as SKPD’s and service provider’s current capacity level. Through this approach, it aims to generate the capacity gaps as well as the best strategy to fill the gaps.

Upon finalization of the assessment, and SKPD’s and service provider’s endorsement of this capacity assessment, it will support capacity development initiatives and develop capacity development strategies to be ultimately funded by provincial budget and ensure sustainability.

In implementing this activity, the project will engage with CSOs that have proven experience in working the government apparatus. In this way, the involvement of both internal and external stakeholders in the capacity assessment is ensured.

#### Activity 3.2. Piloting of Governance Innovations

The project will promote provincial governments in innovative initiatives. These will emphasize the role of the province in facilitating districts to monitor and evaluate their own progress, and will require inter-district coordination.

Within this context, the programme proposes the following initiatives:

##### 3.2.1 Governance in Economic Development in Bangka Belitung

The project will support coordination, coaching, mentoring and monitoring and evaluation through the formation of institutional arrangements and synergies between the provincial and district government in Bangka Belitung province. Activities under this initiative include stakeholder observation, capacity development, and policy formulation. Together with the Government of Bangka Belitung, the project will assess and determine whether the pepper industry, or some other sector such as tourism, palm or cocoa industry, as a point of entry. The point of this activity is to create an opportunity for the provincial government to work collaboratively with district governments as well as other related stakeholders and will engage a new group of sectors and stakeholders. PGSP strategies will support the following: 1) Mapping the competency and capacity of institutions and stakeholders relevant to identified sector according to the authority and responsibility as well as substantive, managerial and technical capacity of each institution; 2) Capacity development to improve and strengthen the substantive, managerial and technical capacity of relevant institutions to undertake their

respective responsibilities; and 3) Formulation of rules and policies to create stimulus in investment, production and trade.

### 3.2.2 Implementation of DIALOG Public Service Delivery in Gorontalo

The strategy to improve public service delivery and local governance in Gorontalo includes institutionalization of DIALOG (Delivery Improvement and Local Governance) at district and provincial levels, and the formulation of mechanisms to incorporate public service delivery and public financial management into local budgets.

DIALOG aims to reinforce the role of the central and provincial governments in improving the performance of district governments, and supports the development of stronger downward accountability to citizens through support to civil society. It will focus on supporting reforms in public financial management, budget transparency and the budget preparation process as well as public service delivery.

Public financial management is an area of intervention that emphasises the provision of fiscal incentives to performing districts in public service delivery. The focus on public financial management reflects the view that public finance reforms are an essential element of strategic economic development planning. PGSP will provide support to enable improved medium-term planning and resource allocation in the health and education sectors in order to improve access and quality of these services. Health and education were selected from a range of potential options because considerable progress is still needed in both sectors in the targeted provinces.

The project will also support the operationalization of monitoring and evaluation systems. This will include technical assistance to the central government, implementation of public financial management assessments, the Governance and Decentralization Survey (GDS) and Public Expenditure Analysis (PEA) as well as independent monitoring. The specific roles and responsibilities of ministries and different levels of government will reflect existing regulations and will be agreed by the Government of Indonesia. Lessons learned from field implementation will feed into this effort to operationalize the monitoring and evaluation system, with the possibility of establishing a nationwide performance-based grant mechanism. In addition, the experiences and lessons learned from the project implementation will also be disseminated to other regions to allow for cross learning.

DIALOG programme implementation will follow the DIALOG Design Note, which elaborates key steps in implementation of pilot activity, including: 1) Development of a baseline for performance assessment and monitoring and evaluation; 2) Assessment of interested districts, which was carried out by the World Bank together with Step 1; 3) The development of performance agreements; 4) Development and approval of public financial management and public service delivery action plans; 5) Assessment of performance; 6) Delivery of district and city grants, including technical assistance; 7) Implementation of public financial management and public service delivery investment plans; 8) Assessment of performance; and 9) Final verification.

The Performance Agreement includes the conditions already met for entry, as well as a commitment to develop a public financial management action plan and a public service delivery reform investment plan. In Gorontalo, three local governments have met public financial management entry requirements (Kota and Kabupaten Gorontalo, Kabupaten Pohuwato).

These action plans are specific to each local government, developed by the local government (with the provision of technical assistance/capacity building, as required) and their implementation then forms part of the overall performance agreement. PGSP will facilitate capacity building and technical assistance in line with their action plans and reform investment plans. This work will be carried out based on the baseline and strategy developed by the World

Bank. Both the baseline and strategy have been discussed, socialized and approved by both provincial and district government.

These action plans shall have clear medium-term, outcome focused objectives that will be identified to help local government and civil society representatives to have a clear understanding of the higher level objectives of the planned reforms and investments. This will include civil society participation in the development of the plans. The supply of services will be complemented by work with communities to demand quality public service delivery. Similarly, the performance of the local governments against the performance agreement will be verified by the provincial government, together with civil society organizations that will monitor the implementation of reforms on an on-going basis.

Further strategies to promote the role of the provincial government in providing fiscal incentive mechanisms (including national level government, such as Ministry of Finance) are required. Current fiscal incentives are currently reserved only for jurisdictions that perform well in human development related sectors. The Incentive Grant (*Dana Insentif Daerah/DID*) is awarded for performance in budget management and reporting (at the input level), and does not currently recognize substantive achievements (outcomes). It is widely recognized that this kind of fiscal incentive would serve not only to motivate other jurisdictions, but also to support further innovative practices. Through the development of fiscal incentives, the project intends to award the local governments that are performing well in the context of decentralization, including governors who excel in their roles as both representative of the national government and head of an autonomous jurisdiction.

The project will also integrate capacity development into DIALOG by ensuring that these efforts continue in each province. This will be implemented in line with provincial priorities.

The project will also engage communities in monitoring the delivery of quality public services, through the establishment of a complaint handling mechanism. Advocacy will be an important component of this initiative, which will be based on community dialogues to establish rules and regulations and to determine organizational structure and human resources. The project will ensure that women and other vulnerable groups are represented in community dialogues in order to provide input so that the complaint handling mechanisms will have the necessary framework to monitor the provision of public services that relate particularly to women and other vulnerable groups.

### **Activity 3.3. Support to the Province in Overseeing the Implementation of MSS**

The implementation of Minimum Services Standards is the responsibility of the district, while the policy is handed down from the national government, causing the role of the province to be unclear. The role of the governor must therefore be strengthened, particularly as MSS policies are to be released this year. At the same time, the cost of MSS implementation is also unclear, and must be determined, as the budget implications are significant. Support will also be given to prepare a technical regulatory framework for the governor to oversee and coordinate the implementation of MSS at the provincial and district level. As the project acknowledges the needs of women and other vulnerable groups in accessing public services, the project will ensure that in the making of the MSS policy package, women and other vulnerable groups will be consulted.

The project will carry on its work on supporting MSS in Gorontalo and Bangka Belitung provinces. Gorontalo has been applying MSS through a participatory survey, while Bangka Belitung has been consolidating a strategic direction and policy for effective MSS, particularly in the health sector.

### **Activity 3.4. Support to Incorporate Public Complaint Mechanism into Public Service Delivery**

In addition to supporting the role of the governor in MSS implementation, the demand side of public service delivery must also be delivered through a complaint handling mechanism. The project will work in the area of key public services, e.g. hospitals, roads, irrigation systems, etc to establish these mechanisms. Piloting these public services will be determined through consultation with the

provincial government in Bangka Belitung and Gorontalo, and will be an opportunity for the province to lead by example in the area of public services.

This initiative is based on the notion that improvements in service delivery are to be supported by two interlinked core activities: 1) research resources are available to the province to encourage service improvement by districts – and therefore reinforce the province’s legitimacy as facilitator to districts; and 2) monitoring procedures and programmes are devised that actively involve stakeholders and therewith can provide direct feedback on user satisfaction and also invite user participation.

In implementing this activity, the project will engage with CSOs in Bangka Belitung and Gorontalo provinces, based on the belief that the success of public service delivery depends on the existence of both a robust government and a healthy and active civil society. Accountability mechanisms that foster sustained civic engagement in public service delivery are critical to the improvement of human development in the regions. Participatory governance through public complaint mechanisms will focus on creating an inclusive and responsive service provider and increasing opportunities for citizen voice. The project will ensure that women, the poor and other vulnerable groups are consulted in designing and establishing a public complaint handling mechanism.

## II.2 Project Approach and Design

PGSP is expected to have a nationwide impact on provincial government policy analysis and advocacy. The project supports national level regulatory reform and is informed on the basis of pilot projects undertaken in three provinces which are representative of provinces throughout Indonesia. To meet this end, the project has two parts:

**Provincial Level** – PGSP engages in strategic areas at the province level to influence key “drivers of change” in partner provinces and to support provincial partners to take charge of future capacity development efforts. Overall, the project places emphasis on collaboration among a wide range of partners and stakeholders. Civil society organizations and academia will be important partners at the province level. In particular in Gorontalo, the project will directly address capacity issues at the third tier of government in line with the DIALOG framework.

This project places emphasis on the two pilot provinces of Bangka Belitung and Gorontalo. AusAID’s support to decentralization through the Australia Indonesia Partnership for Decentralisation (AIPD) will focus its work in four targeted provinces including NTT. Therefore, PGSP will focus its support in NTT on the development of Provincial Human Development Report, as part of mainstreaming human development into planning and budgeting processes.

**National Level** – PGSP will support the national government and provincial governments in conducting policy analysis and capturing relevant lessons and experiences, particularly those generated by national level activities. Support will be provided to facilitate dialogue and debates on ways of improving the regional autonomy framework. At the national level, key partners include central government, donors as well as civil society organizations and academic institutions. Dissemination of lessons learned will be an important activity. All three provinces will be represented in national level activities of the project in order to ensure a nationwide impact on provincial government policy analysis and advocacy.

In order to reduce the risk that this number of provinces will be too small to act as a representative selection of provinces and to provide a wider learning experience, the project will make use of “resource provinces”, with relevant experience in provincial governance. The identified “resource provinces” are Aceh, North Sumatra and Nias Islands, Papua and West Papua. This will be carried out by the national component of PGSP to observe the efforts of the PGSP provinces and resource provinces, and will coordinate the interpretation of regulatory environments to apply these into distinct roles and functions of the province.

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### III. CROSS CUTTING ISSUES

#### A. Gender

Women and men interact with the services and policies provided by the government in different ways. Women often face barriers specific to their roles as prescribed by socio-cultural norms, including their domestic duties and roles in decision-making processes. In many cases, women are disadvantaged by these norms and roles, and as such, gender must be explicitly addressed by the project, taking into account women's particular needs and empowering them to participate in decision-making structures.

The project aims to offer technical assistance to strengthen the roles and functions of provincial government in coordinating planning and monitoring of development initiatives across levels of governments. In addition, the provincial government can play a significant role to improve the basic services provided by the local government by setting standards and monitoring their compliance. Some key gender gaps are apparent in relation to the key elements of decentralization:

1. Basic social services such as health care and education affect women and men, girls and boys differently, and their access to these services is also different. The equality of men and women in education shows that women are falling behind men. The average number of years Indonesian men attend school is 8.9, which is longer than the average for women at 8.1 years.<sup>5</sup> This has an impact on how these groups benefit from services, and therefore requires a deeper understanding as to the needs of each group in order to inform and shape policies and institutions on how these services should be delivered. Gender mainstreaming is thus of importance in planning, managing, monitoring and evaluation of public service delivery provided by local government. Likewise, provincial government requires the ability to guide the local government through the process, setting service performance standards and monitoring their achievements.
2. Since the bureaucracy is the provider of public governance and services, a key element to improving public services and governance relates to civil service. A bigger challenge within the civil service is changing the mind-set of civil servants and instilling the idea that clean and quality public services should be to the right of the community. Moreover, in the civil service there is a serious issue of under-representation of women at the top positions. Women constitute 45.4 percent of the civil service but the top echelons are mainly occupied by men. By looking into the gender composition of public servants in echelons 2, 3, and 4, it shows that the gender gap at these levels is not very wide, at 45 percent, 47 percent and 48 percent respectively. However, the gap in echelon 1 is quite serious, where women make up only 9 percent of those in the top echelons of civil service, which forms 0.5 percent of the total female force working in the civil service.<sup>6</sup> The quantity of women in the civil service does not automatically translate to knowledge and understanding on gender, business processes that are gender-sensitive, or the decision support systems that promote gender equality. The capacity gap on gender knowledge is apparent in the civil service at subnational levels, and this needs to be improved as local governments directly provide public and basic services to the people.

The project will work to close gender gaps through a series of activities/initiatives that are designed to address the development challenges along with those gaps. The gender mainstreaming strategy in the project aims to ensure that the differential needs and interests of men and women are accommodated equally. However women's empowerment will be emphasized, since women tend to face more barriers in decision-making processes than men. At the same time, women play significant roles in government and civil society, particularly in the sectors of health and education that

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<sup>5</sup> Partnership Governance Index (PGI). 2008.

<sup>6</sup> UNDP Indonesia. 2010. Women's Participation in Politics and Government in Indonesia



constitute promotion of human development. The project will aim to achieve the following gender objectives:

1. Clear and effective lines of accountability (legal, financial, administrative and political) to ensure honest and efficient performance by civil servants in the delivery of public services, with strong commitment to gender dimensions, through:
  - The implementation of minimum service standards (MSS) in areas where women are entrusted with primary roles, i.e. health and education, in order to improve public service delivery; and
  - The provision of a mechanism for systematic and open procedures of public complaint mechanisms on issues of particular concern to women.
2. Accessibility of government to advocates of gender sensitive policy formation, implementation and service delivery, through:
  - Integration of gender perspectives in public policies and development plans through facilitation of women's participation in development planning processes, including Musrenbang;
  - Introducing gender action plans at district/province level with delivery of the plans set as key performance indicators; and
  - Integration of priorities of women into local governments' policy agenda and decision-making structures through the development of partnerships between women's organizations and related government offices.

## B. Anti-Corruption

Regardless of the country context, evidence from across the globe confirms that corruption hurts the poor disproportionately and hinders economic development, reduces social services and diverts investment in infrastructure, institutions and social services. Moreover, it fosters an anti-democratic environment characterized by uncertainty, unpredictability and declining moral values and disrespect for constitutional institutions and authority. Corruption, therefore, reflects a democracy, human rights and governance deficit that negatively impacts on poverty and human security.

UNDP upholds the UN conventions on Anti-Corruption (UNCAC) and recognizes that corruption is a threat to human development, which is a development paradigm pursued by UNDP and is defined as "a process of enlarging people's choices", is achieved by expanding human capabilities (details on UNDP's role on anti-corruption is attached on Annex 5: "UNDP Anti-Fraud Policy"). UNDP is therefore committed to apply anti-corruption measures in the implementation of its projects, including PGPS.

"Misappropriation of funds" has been identified as one of the project risks and therefore the UNDP and the project authorities are responsible for closely monitoring and reporting this particular risk on a regular basis.

The following measures have been applied to avoid misuse of project funds within the project implementation arrangement:

- **Micro-assessment.** In compliance with the harmonized approach for cash transfer (HACT), UNDP has conducted micro-assessment of all Implementing Partners before UNDPs transfer any cash to the partners account. The micro-assessment assesses the partner's capacity to manage funds and investigate the existing internal control mechanism. The assessment recommends a risk level, and UNDP will then conduct its assurance function according to the level of risk following the result of the micro-assessment. This programme, the risk level implementing partner (Directorate of Regional Autonomy, BAPPENAS) has been rated as low, in which case direct cash transfers are allowed with the requirement of two spot checks to be conducted annually.
- **HACT audit.** The Audit will assess the existence and functioning of an Implementing Partner's internal controls for the receipt, recording, and disbursement of cash transfers and the fairness of

a sample of expenditures reported in all of the FACE forms issued by the Implementing Partner to the Agencies during the period under audit. It is not expected that the sample will provide assurance for individual FACE forms. The frequency and total number of audits conducted UNDP based on the initial financial capacity assessment, any on-site reviews of the Implementing Partner's financial records, and programmatic assurance activities. The audit report will include an opinion on the fairness of the reported expenditures tested by the Audit and may include recommendations to the Implementing Partner related to the management of cash transfers.

- **UNDP spot-checks.** In compliance with the UN's Harmonized Approach on Cash Transfer, UNDP has conducted spot checks on Implementing Partners. These spot checks are conducted with short notice to check the quality of financial and asset management and records in the projects. Recommendations will be made as a result of each spot-check and follow up on all recommendations is closely monitored by UNDP in compliance with UNDP's assurance role.
- **Secondment of UNDP personnel.** While leaving the financial accountability directly to the Implementing Partners, UNDP has also seconded UNDP contracted personnel to work under the overall direction of the implementing partners in managing and recording the day-to-day expenditures of funds transferred to the implementing partners. Being directly hired by UNDP, these personnel are independent from external influence in ensuring fund disbursement are according to the prevailing UNDP anti-corruption principles. As UNDP contract holders, these personnel are also expected to uphold UNDP standards of conduct which include upholding the highest standards of efficiency, competence and integrity in exercising their delegated authority for fund management.

UNDP has seconded personnel to BAPPENAS and BAPPEDA for supporting the financial management of UNDP funded activities. These personnel are highly qualified personnel with previous experience of managing UNDP funds under the project context. They have also passed UNDP mandatory trainings including those on ethics and project management. For key positions, UNDP also requires staff to pass procurement training.

### C. Knowledge Management

The project views knowledge management as integral, and will therefore ensure documentation of project implementation for the purpose of developing lessons learned and best practices for public dissemination. This will include the integration of one activity into each project component which will address knowledge management and communications, to be directly implemented by UNDP. The public dialogue that is expected to result from the dissemination of these lessons learned will contribute to both policy discourses, as well as to encourage replication of project aspects.

The Policy and Research Group will administer the knowledge management work, and is an integral part of the Project Management Unit. The group is responsible for the consolidation of experience generated by project activities in the provinces and the "resource provinces" and for systematically feeding them into the national policy and regulation process. It includes observation of efforts of the provinces to interpret the regulatory environment and apply these into distinct roles and functions of the province. The team will have a state-of-the-art knowledge on the current status of regulations as well as those in the formulation process. The project will maintain good communication with related the national agencies, institutions or organizations as well as programmes that are working on the subject. Project implementation in the provinces is expected to regularly provide empirical information to teams working at the national level. The PMU will structure the field feedback into a systematic database and report these to the Policy and Research Group.

Related to knowledge management products, the main deliverables of the project will include:

- 1) Policy research and a concept paper on the role of governor and province in the decentralization in Indonesia, including analysis of long-term strategies for developing policy priorities, as well as recommendations for implementation;
- 2) "Decentralization Newsletter" (*Risalah Desentralisasi*) and website to communicate the lessons learned and best practices to the public; and

3) A database to routinely record, update and share overall subnational level socio-economic data, including various governance indexes, collected by government and non-government institutions as well as international organizations.

## IV. RESULTS AND RESOURCES FRAMEWORK

**National Priority:** #1: Bureaucratic and Governance Reform. # 14: People's Welfare.

**UNPDF Outcome #3:** People participate more fully in democratic processes resulting in pro-poor, gender responsive, peaceful, more equitable and accountable resource allocation and better protection of vulnerable groups.

**UNDP CPAP OUTCOME:** #3.2. Strengthened institutional capacity of provincial governance in achieving objective of decentralization policy in more accountable, responsive and effective way

**Project title and ID (ATLAS Award ID):** Provincial Governance Strengthening Programme (Award ID: 57787)

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	RELATIONSHIP WITH OTHER STAKEHOLDERS
<p><b>Output 1: Enhanced policy and regulatory framework that further clarifies and strengthens roles and functions of provincial government</b></p> <p><b>Indicators:</b></p> <p>(i) Progress in formulation and implementation of revised Law 32</p> <p>(ii) Progress in the implementation of the GR No.23/2011 and SEB (Joint Circular) 2010</p> <p>(iii) Progress in revision of Law No.25/2004 on national development planning</p> <p><b>Baseline:</b></p> <p>(i) Revision of Law No.32 is available for inter-ministerial consultation</p> <p>(ii) There is still some ambiguity in the implementation of GR No.23/2011, which require further clarification on the role of the governor at both the provincial and national levels</p> <p>(iii) Revision of the law on national development planning system is</p>	<p><b>Targets year 1: 2011-2012</b></p> <p>(i) The new law on regional government is enacted</p> <p>(ii) No target (policy paper and research on division of the dual roles of the governor is produced)</p> <p>(iii) Academic paper for revision of Law No.25/2004 is produced</p>	<p><b>1.1. Support to formulation and implementation of revised Law No.32</b></p> <ul style="list-style-type: none"> <li>Wider public consultation and public awareness</li> <li>Support the deliberation process</li> <li>Review on harmonization of existing regulations and the implementing regulations</li> </ul>	<ul style="list-style-type: none"> <li><b>MoHA:</b> to provide overall guidance and lead the academic study and consultation process</li> <li><b>BAPPENAS:</b> to facilitate the higher level inter-ministerial consultation meetings</li> <li><b>CSO:</b> to facilitate wider public consultation and awareness</li> </ul>	<ul style="list-style-type: none"> <li><b>GIZ</b> Decentralization section for joint collaboration in support to formulation of revised Law No. 32</li> </ul>
	<p><b>Targets year 2: 2012-2013</b></p> <p>(i) Ancillary regulations drafted to support the new Law on regional government</p> <p>(ii) The institutional and financial regulatory setup of the governor is implemented in target provinces</p> <p>(iii) Bill on national development planning drafted and deliberated in the inter-ministerial stakeholder forum</p>	<p><b>1.2. Support to the implied expansion of GR No.23/2011 and SEB (Joint Circular) 2010</b></p> <ul style="list-style-type: none"> <li>Policy research on institutional and financial regulatory setup for the role of the governor as the representative of national government</li> <li>Formulation of a provincial team on deconcentration funds and of a team on concurrent issues</li> <li>Review the implementation of institutional and financial regulatory setup of the governor</li> </ul>	<ul style="list-style-type: none"> <li><b>BAPPENAS:</b> to take the lead on the consultation and formulation process of policy research</li> <li><b>Bangka Belitung and Gorontalo provinces:</b> to participate in the consultation process and implementation</li> </ul>	<ul style="list-style-type: none"> <li><b>Ministry of Finance, MoFA</b> for inputs and collaboration on policy research on financial regulatory setup for the role of the governor as the representative of national government</li> </ul>

**National Priority:** #1: Bureaucratic and Governance Reform. # 14: People's Welfare.

**UNPDF Outcome** #3: People participate more fully in democratic processes resulting in pro-poor, gender responsive, peaceful, more equitable and accountable resource allocation and better protection of vulnerable groups.

**UNDP CPAP OUTCOME:** #3.2. Strengthened institutional capacity of provincial governance in achieving objective of decentralization policy in more accountable, responsive and effective way

**Project title and ID (ATLAS Award ID): Provincial Governance Strengthening Programme (Award ID: 57787)**

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	RELATIONSHIP WITH OTHER STAKEHOLDERS
initiated		<b>1.3. Support to the revision of Law No.25/2004 on national development planning</b> <ul style="list-style-type: none"> <li>• Formulation of academic paper</li> <li>• Support the legal drafting</li> <li>• Support the inter-ministerial consultation meetings</li> <li>• Support the deliberation process in the parliament</li> </ul>	<ul style="list-style-type: none"> <li>• <b>BAPPENAS:</b> to take the lead on the consultation and formulation process</li> </ul>	<ul style="list-style-type: none"> <li>• <b>MoHA</b> for inputs on regional development planning in accordance with revised Law 32</li> </ul>
<b>Output 2: Strengthened provincial government capacity in economic development planning and budgeting</b>  <b>Indicators:</b> <b>(i)</b> The extent to which national and local government plans are aligned in target provinces <b>(ii)</b> The extent to which the empirical data is used to guide planning and budgeting in target provinces  <b>Baseline:</b> <b>(i)</b> To be determined (lack of alignment and consistency between the medium-term, long-term and annual plans of district, provincial and national levels of government) <b>(ii)</b> Lack of empirical data used to	<b>Targets year 1: 2011-2012</b> <b>(i)</b> No target (baseline is to be developed) <b>(ii)</b> Accurate empirical data is available as reference for planning and budgeting  <b>Targets year 2: 2012-2013</b> <b>(i)</b> 10% increase from the baseline in alignment of development plans <b>(ii)</b> RKPD of three provinces are based on P3BM database and HDI	<b>2.1. Support to alignment of annual national-regional development plans (RKP and RKPD)</b> <ul style="list-style-type: none"> <li>• Development of strategy to align annual national-regional development plans (RKP and RKPD)</li> <li>• Implementation of alignment of RKP and RKPD via SKPD forum</li> <li>• Review of the implementation of alignment of RKP and RKPD via SKPD forum</li> </ul>	<ul style="list-style-type: none"> <li>• <b>BAPPENAS:</b> to lead the process of strategy development and implementation to align RKP and RKPD</li> <li>• <b>Bangka Belitung and Gorontalo provinces:</b> to implement the strategy in SKPD forum</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Line Ministries:</b> to provide inputs to the strategy development and to participate in the implementation</li> </ul>
		<b>2.2. Support to the monitoring of RPJM-related decentralization and local autonomy practices</b> <ul style="list-style-type: none"> <li>• Review the implementation RPJM</li> <li>• Development of lessons learned document on the implementation RPJM</li> <li>• Implementation of decentralization award</li> </ul>	<ul style="list-style-type: none"> <li>• <b>BAPPENAS:</b> to lead the process of monitoring</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Line Ministries:</b> to provide inputs to the strategy development and to participate in the implementation</li> </ul>

**National Priority:** #1: Bureaucratic and Governance Reform. # 14: People's Welfare.

**UNPDF Outcome** #3: People participate more fully in democratic processes resulting in pro-poor, gender responsive, peaceful, more equitable and accountable resource allocation and better protection of vulnerable groups.

**UNDP CPAP OUTCOME:** #3.2. Strengthened institutional capacity of provincial governance in achieving objective of decentralization policy in more accountable, responsive and effective way

**Project title and ID (ATLAS Award ID): Provincial Governance Strengthening Programme (Award ID: 57787)**

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	RELATIONSHIP WITH OTHER STAKEHOLDERS
guide planning and budgeting		<b>2.3. Piloting of P3BM application for planning and budgeting</b> <ul style="list-style-type: none"> <li>P3BM training</li> <li>Application of P3BM tool into RKPD 2013</li> <li>Development and dissemination of lessons learned document and best practices</li> </ul>	<ul style="list-style-type: none"> <li><b>Bangka Belitung and Gorontalo provinces:</b> to apply P3BM tool in planning processes (RKPD)</li> </ul>	<ul style="list-style-type: none"> <li><b>BAPPENAS (Directorate of Poverty Reduction):</b> to provide guidance and technical assistance to the pilot provinces</li> <li><b>AusAID (Poverty Reduction Unit)</b> to provide inputs on institutionalizing P3BM nationwide</li> </ul>
		<b>2.4. Mainstream human development orientation to planning and budgeting</b> <ul style="list-style-type: none"> <li>Development of Provincial HDR in Bangka Belitung and NTT</li> <li>Application of Provincial HDR recommendations in planning and budgeting</li> </ul>	<ul style="list-style-type: none"> <li><b>BAPPENAS:</b> to provide overall guidance on Provincial HDR development</li> <li><b>BPS:</b> to provide inputs to HDI data and analysis</li> <li><b>Bangka Belitung, Gorontalo and NTT Provinces :</b> to take the lead on development of Provincial HDR</li> </ul>	<ul style="list-style-type: none"> <li><b>UNDP (Poverty Reduction Unit)</b> for inputs on past experience in developing Aceh HDR</li> </ul>
<b>Output 3: Enhanced public service delivery through governance innovations, implementation of minimum service standards, and public complaint mechanism</b>  <b>Indicators:</b> <b>(i)</b> Level of provincial government capacity to assure the quality of public services delivery	<b>Targets year 1: 2011-2012</b> <b>(i)</b> No target, (baseline survey/ capacity assessment is conducted) <b>(ii)</b> Governance innovations developed in each target province <b>(iii)</b> Study on the cost of MSS is developed and disseminated	<b>3.1. Capacity assessment and capacity development strategy on public service delivery</b> <ul style="list-style-type: none"> <li>Capacity assessment to SKPDs on public service delivery</li> <li>Formulation of capacity development strategy based on the assessment result</li> <li>Support to the implementation of capacity development strategy</li> </ul>	<ul style="list-style-type: none"> <li><b>BAPPENAS:</b> to lead the overall capacity assessment and capacity development process</li> <li><b>Bangka Belitung and Gorontalo provinces:</b> to take the lead on self assessment and self capacity development</li> <li><b>CSOs:</b> to facilitate</li> </ul>	<ul style="list-style-type: none"> <li><b>Capacity Development working group</b> for stakeholders inputs on Capacity Development Strategy</li> </ul>

**National Priority:** #1: Bureaucratic and Governance Reform. # 14: People's Welfare.

**UNPDF Outcome #3:** People participate more fully in democratic processes resulting in pro-poor, gender responsive, peaceful, more equitable and accountable resource allocation and better protection of vulnerable groups.

**UNDP CPAP OUTCOME:** #3.2. Strengthened institutional capacity of provincial governance in achieving objective of decentralization policy in more accountable, responsive and effective way

**Project title and ID (ATLAS Award ID):** Provincial Governance Strengthening Programme (Award ID: 57787)

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	RELATIONSHIP WITH OTHER STAKEHOLDERS
<p>(ii) Extent to which governance innovations piloted and institutionalized in target provinces</p> <p>(iii) Extent to which the minimum service standards (MSS) are effectively implemented</p> <p>(iv) Availability of public complaint mechanism</p> <p><b>Baseline:</b></p> <p>(i) To be determined, pending on capacity assessment</p> <p>(ii) Limited governance innovations institutionalized in target provinces</p> <p>(iii) Agency and staff functions and their budgets not directly or clearly related to their roles and functions in delivering services</p> <p>(iv) Complaint handling mechanism is not available or generally not working</p>	<p>(iv) No target (strategy to establish public complaint mechanism is developed)</p> <p><b>Targets year 2: 2012-2013</b></p> <p>(i) Capacity development strategy is adopted into the Provincial Government workplan in target provinces</p> <p>(ii) Governance innovations is institutionalized in each target province</p> <p>(iii) Strategy for MSS implementation developed and implemented in target provinces</p> <p>(iv) Public complaint mechanism developed and institutionalized in target provinces</p>		capacity assessment and development of capacity development strategy	
		<p>3.2. Piloting of governance innovations</p> <ul style="list-style-type: none"> <li>Governance in economic development in Bangka Belitung</li> <li>Implementation of DIALOG public service delivery in Gorontalo</li> </ul>	<ul style="list-style-type: none"> <li><b>BAPPENAS</b> to provide guidance and technical assistance to the pilot provinces</li> <li><b>Bangka Belitung:</b> to take the lead in implementation of governance in economic development</li> <li><b>Gorontalo:</b> to take the lead in the implementation of DIALOG public service delivery</li> </ul>	<ul style="list-style-type: none"> <li><b>World Bank</b> to provide substantive inputs on public service delivery strategy of Gorontalo</li> </ul>
		<p>3.3. Support to the province in overseeing the implementation of MSS</p> <ul style="list-style-type: none"> <li>Policy study on the governor's role in MSS</li> <li>Study on the cost of MSS implementation</li> <li>Development of strategy for MSS implementation in Bangka Belitung and Gorontalo provinces</li> <li>Development of implementing regulations on MSS in Bangka Belitung</li> </ul>	<ul style="list-style-type: none"> <li><b>BAPPENAS:</b> to take the lead on the consultation and formulation process of policy study</li> <li><b>Bangka Belitung and Gorontalo provinces:</b> to take the lead in exercising the governor's role in MSS and formulate implementing regulations</li> </ul>	<ul style="list-style-type: none"> <li><b>MOHA (DG Regional Development):</b> in close coordination to facilitate the in formulation of implementing regulation on governor's role in MSS</li> </ul>

**National Priority:** #1: Bureaucratic and Governance Reform. # 14: People's Welfare.

**UNPDF Outcome #3:** People participate more fully in democratic processes resulting in pro-poor, gender responsive, peaceful, more equitable and accountable resource allocation and better protection of vulnerable groups.

**UNDP CPAP OUTCOME:** #3.2. Strengthened institutional capacity of provincial governance in achieving objective of decentralization policy in more accountable, responsive and effective way

**Project title and ID (ATLAS Award ID):** Provincial Governance Strengthening Programme (Award ID: 57787)

INTENDED OUTPUTS	OUTPUT TARGETS FOR (YEARS)	INDICATIVE ACTIVITIES	RESPONSIBLE PARTIES	RELATIONSHIP WITH OTHER STAKEHOLDERS
		and Gorontalo provinces		
		3.4. Support to incorporate public complaint mechanism into public service delivery <ul style="list-style-type: none"> <li>• Formulation of public complaint mechanism</li> <li>• Establishment of public complaint mechanism in Bangka Belitung and Gorontalo provinces</li> <li>• Development and dissemination of lessons learned document and best practices</li> </ul>	<ul style="list-style-type: none"> <li>• <b>MOHA:</b> to support the formulation of public complaint mechanism</li> <li>• <b>Bangka Belitung and Gorontalo provinces:</b> to take the lead in establishing public complaint mechanism</li> <li>• <b>CSOs:</b> to facilitate the formulation of public complaint mechanism</li> </ul>	<ul style="list-style-type: none"> <li>• <b>SAJI:</b> for integrated approach on public complaint mechanism</li> </ul>



## V. ANNUAL WORK PLAN

Year 1: 2011 - 2012

EXPECTED OUTPUTS	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	RESPONSIBLE PARTY	PLANNED BUDGET	
			Funding Source	Amount AUD
<b>Output 1: Enhanced policy and regulatory framework that further clarifies and strengthens roles and functions of provincial government</b>  <b>Targets:</b> (i) The new law on regional government is enacted (ii) No target (policy paper and research on division of the dual roles of the governor is produced) (iii) Academic paper for revision of Law No.25/2004 is produced	<b>1.1. Support to formulation and implementation of revised Law No. 32</b> <ul style="list-style-type: none"> <li>Wider public consultation and public awareness</li> </ul>	MoHA	AUSAID	142,000
	<b>1.2. Support to the implied expansion of GR No.23/2011 and SEB (Joint Circular) 2010</b> <ul style="list-style-type: none"> <li>Policy research on institutional and financial regulatory setup for the role of the governor as the representative of national government</li> <li>Policy research on division of the dual roles of the governor</li> </ul>	BAPPENAS	AUSAID	160,000
	<b>1.3. Support to the revision of Law No.25/2004 on national development planning</b> <ul style="list-style-type: none"> <li>Formulation of academic paper</li> </ul>	BAPPENAS	AUSAID	104,000
	<b>1.4 Project assurance and knowledge management</b>	UNDP, BAPPENAS	AUSAID	104,000
<b>Output 2: Strengthened provincial government capacity in economic development planning and budgeting</b>  <b>Targets:</b> (i) No target (baseline is to be developed) (ii) Accurate empirical data is available as reference for planning and budgeting	<b>2.1. Support to alignment of annual national-regional development plans (RKP and RKPD)</b> <ul style="list-style-type: none"> <li>Development of strategy to align annual national-regional development plans (RKP and RKPD)</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	76,000
	<b>2.2. Support to the monitoring of RPJM-related decentralization and local autonomy practices</b> <ul style="list-style-type: none"> <li>Review the implementation of medium term development plan (RPJM)</li> </ul>	BAPPENAS	AUSAID	49,000
	<b>2.3. Piloting of P3BM application for planning and budgeting</b> <ul style="list-style-type: none"> <li>P3BM training</li> <li>Application of P3BM tool into RKPD 2013</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	150,000

<b>Output 3: Enhanced public service delivery through governance innovations, implementation of minimum service standards, and public complaint mechanism</b>  <b>Targets:</b> <i>(i)</i> No target, (baseline survey/ capacity assessment is conducted) <i>(ii)</i> Governance innovations developed in each target province <i>(iii)</i> Study on the cost of MSS is developed and disseminated <i>(iv)</i> No target (strategy to establish public complaint mechanism is developed)	<b>2.4. Mainstream human development orientation to planning and budgeting</b> <ul style="list-style-type: none"> <li>Development of Provincial HDR in Gorontalo, Bangka Belitung and NTT</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO, NTT	AUSAID	87,000
	<b>2.5 Project assurance and knowledge management</b>	UNDP, BAPPENAS	AUSAID	90,000
	<b>3.1. Capacity assessment and capacity development strategy on public service delivery</b> <ul style="list-style-type: none"> <li>Capacity assessment to SKPDs on public service delivery</li> <li>Formulation of capacity development strategy based on the assessment result</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	106,000
	<b>3.2. Piloting of governance innovations</b> <ul style="list-style-type: none"> <li>Governance in economic development in Bangka Belitung</li> <li>Implementation of DIALOG public service delivery in Gorontalo</li> </ul>	BANGKA BELITUNG, GORONTALO	AUSAID	364,000
	<b>3.3. Support to the province in overseeing the implementation of MSS</b> <ul style="list-style-type: none"> <li>Policy study on the governor's role in MSS</li> <li>Study on the cost of MSS implementation</li> <li>Development of strategy for MSS implementation in Bangka Belitung and Gorontalo provinces</li> <li>Development of implementing regulations on MSS in Bangka Belitung and Gorontalo provinces</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	212,000
	<b>3.4. Support to incorporate public complaint mechanism into public service delivery</b> <ul style="list-style-type: none"> <li>Formulation of public complaint mechanism</li> <li>Establishment of public complaint mechanism in three pilot provinces</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	131,000
	<b>3.5 Project assurance and knowledge management</b>	UNDP, BAPPENAS	AUSAID	94,159
GMS				130,841
TOTAL				2,000,000

Year 2: 2012 - 2013

EXPECTED OUTPUTS	PLANNED ACTIVITIES <i>List activity results and associated actions</i>	RESPONSIBLE PARTY	PLANNED BUDGET	
			Funding Source	Amount AUD
<b>Output 1: Enhanced policy and regulatory framework that further clarifies and strengthens roles and functions of provincial government</b>  <u>Targets:</u> (i) Ancillary regulations drafted to support the new Law on regional government (ii) The institutional and financial regulatory setup of the governor is implemented at target provinces (iii) Bill on national development planning drafted and deliberated in the inter-ministerial stakeholder forum	<b>1.1. Support to formulation and implementation of revised Law No. 32</b> <ul style="list-style-type: none"> <li>Support the deliberation process</li> <li>Review on harmonization of existing regulations and the implementing regulations</li> </ul>	MoHA	AUSAID	188,000
	<b>1.2. Support to the implied expansion of GR No.23/2011 and SEB (Joint Circular) 2010</b> <ul style="list-style-type: none"> <li>Review the implementation of institutional and financial regulatory setup of the governor</li> </ul>	BAPPENAS	AUSAID	246,000
	<b>1.3. Support to the revision of Law No.25/2004 on national development planning</b> <ul style="list-style-type: none"> <li>Support the legal drafting</li> <li>Support the inter-ministerial consultation meetings</li> <li>Support the deliberation process in the parliament</li> </ul>	BAPPENAS	AUSAID	144,000
	<b>1.4 Project assurance and knowledge management</b>	UNDP, BAPPENAS	AUSAID	132,000
<b>Output 2: Strengthened provincial government capacity in economic development planning and budgeting</b>  <u>Targets:</u> (i) 10% increase from the baseline regarding development plans alignment (ii) RKPD of three provinces are based on P3BM database and HDI	<b>2.1. Support to alignment of annual national-regional development plans (RKP and RKPD)</b> <ul style="list-style-type: none"> <li>Implementation of alignment of RKP and RKPD via SKPD forum</li> <li>Review of the implementation of alignment of RKP and RKPD via SKPD forum</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	117,000
	<b>2.2. Support to the monitoring of RPJM-related decentralization and local autonomy practices</b> <ul style="list-style-type: none"> <li>Development of lessons learned document on the implementation RPJM</li> <li>Implementation of decentralization award</li> </ul>	BAPPENAS	AUSAID	67,000
	<b>2.3. Piloting of P3BM application for planning and budgeting</b> <ul style="list-style-type: none"> <li>Development and dissemination of lessons learned document and best practices</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	191,000
	<b>2.4. Mainstream human development orientation to planning and budgeting</b> <ul style="list-style-type: none"> <li>Development of Provincial HDR in Gorontalo, Bangka Belitung and NTT</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO, NTT	AUSAID	376,000

	<ul style="list-style-type: none"> <li>Application of Provincial HDR recommendations in planning and budgeting</li> </ul>			
	<b>2.5 Project assurance and knowledge management</b>	UNDP, BAPPENAS	AUSAID	106,000
<b>Output 3: Enhanced public service delivery through governance innovations, implementation of minimum service standards, and public complaint mechanism</b>  <b>Targets:</b> <b>(i)</b> Capacity development strategy is adopted into the Provincial Government workplan in target provinces <b>(ii)</b> Governance innovations is institutionalized in each target province <b>(iii)</b> Strategy for MSS implementation developed and implemented in target provinces <b>(iv)</b> Public complaint mechanism developed and institutionalized in target provinces	<b>3.1. Capacity assessment and capacity development strategy on public service delivery</b> <ul style="list-style-type: none"> <li>Formulation of capacity development strategy based on the assessment result</li> <li>Support to the implementation of capacity development strategy</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	127,000
	<b>3.2. Piloting of governance innovations</b> <ul style="list-style-type: none"> <li>Governance in economic development in Bangka Belitung</li> <li>Implementation of DIALOG public service delivery in Gorontalo</li> <li>Support to institutional strengthening of SPADU NTT</li> </ul>	BANGKA BELITUNG, GORONTALO	AUSAID	513,000
	<b>3.3. Support to the province in overseeing the implementation of MSS</b> <ul style="list-style-type: none"> <li>Development of strategy for MSS implementation in pilot provinces</li> <li>Development of implementing regulations on MSS in pilot provinces</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	213,000
	<b>3.4. Support to incorporate public complaint mechanism into public service delivery</b> <ul style="list-style-type: none"> <li>Establishment of public complaint mechanism in three pilot provinces</li> <li>Development and dissemination of lessons learned document and best practices</li> </ul>	BAPPENAS, BANGKA BELITUNG, GORONTALO	AUSAID	158,000
	<b>3.5 Project assurance and knowledge management</b>	UNDP, BAPPENAS	AUSAID	132,280
GMS				189,720
TOTAL				2,900,000

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## VI. MANAGEMENT ARRANGEMENTS

### A. Management Structure

The project will maintain its management structure as agreed with the Government of Indonesia and stipulated in the project document attached (Annex 1), with the additional inclusion of representatives from AusAID in the Project Board.<sup>7</sup>

#### ***PMU***

The PGSP Project Management Unit has established a team working at national and provincial levels to guide the project. Within each participating province, indicative project activities are undertaken to address all three PGSP Outputs. Activities will be supported by a Provincial Project Management Unit in each province and will be responsible for implementing activities in partnership with all stakeholders. Planned activities at the district level also require the appointment of project staff at this level

#### ***Policy and Research Group***

A policy and research group has also been established within the PMU to develop an effective, influential and sustained policy engagement network. The group is responsible for knowledge management of the project. It will continue working on the activities related to the discussion, formulation and deliberation of decentralization and governance related policies.

The group currently consists of a research group leader, a senior advisor, and a research assistant. To make the policy and research group more effective, an enlargement of the unit will be undertaken. The group will cover all project outputs where one research associate is responsible for each output. Similarly, one research assistant will be posted in Provincial PMU of Bangka Belitung and Gorontalo, who is responsible for conducting policy research on subnational issues and generating lessons learned and empirical information from the provinces to teams working at the national level. The PMU will structure the field feedback into a systematic database and report these to the Policy and Research Team. In cases where profound empirical and policy study is required, the project can commission local university to undertake the study. The provincial research assistant will be responsible to liaise with the local university.

The research assistants will be recruited from (local) UNV rosters and posted in both PMU and Provincial PMU (PPMU). As UNVs these personnel are also accountable directly to UNDP through the UNV coordinators in upholding the UN standards of conduct and integrity. The organizational structure of the project is attached in Annex 2.

### B. Fund Channelling Modality

The project will apply the National Implementation Modality (NIM) whereby the National Planning Board (BAPPENAS) is designated as the Implementing Partner. UNDP has conducted the Harmonized Advance Cash Transfer (HACT) micro-assessment to determine the project management capacity of the Implementing Partner. The micro-assessment highlights that the financial management of the project is categorized low risk, in which case direct cash transfer to the Implementing Partner is allowed. The Implementing Partner has followed the recommendations and opened a project bank account to receive the funds from UNDP. Since 2010, UNDP has transferred funds to the Implementing Partner against approved work plan.

In addition to direct cash transfers to the Implementing Partner, in order to ensure timely project delivery, the project has been applying other methods of cash transfer modalities, including 1) direct

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<sup>7</sup> The project document provided provision for additional membership on the project board.

payment and (2) Country Office Support Services. In the direct payment modality, UNDP makes payments directly to vendors based on the request from the Implementing Partner, who initiates a contracting and procurement process to select a third party (vendor) to implement activities through the government's contracting and procurement of goods/services.

At the request of the Implementing Partner, UNDP can provide Country Office Support Services (COSS) to the project, where UNDP is responsible for 1) the identification and recruitment of project and programme personnel; 2) procurement of goods and services; 3) the administration of financial donor contributions; and 4) monitoring and evaluation. By following UNDP regulations and procedures, UNDP will ensure transparent and efficient processes in the short timeframe of project implementation. In providing these services, UNDP will apply its rules and regulations.

Under the COSS, UNDP can enter into Letters of Agreements (LOA) with provincial government entities to ensure provincial government's ownership and responsibility of the project implementation in the pilot provinces. Pursuant to the budget, work plan, schedule of services, facilities and payments that are attached to the LOA, UNDP with the acknowledgement of BAPPENAS, will make payments to the provincial government, according to the schedule of payments into the project bank account in the provincial government. To ensure transparency and accountability, the provincial PMU will be assigned to liaise with the provincial government and provide guidance for administration and financial arrangement.

There have been discussions that starting from fiscal year 2012, BAPPENAS can execute DIPA deconcentration to the provinces. If this is feasible, then fund channelling to provinces may use this approach, replacing the modality of LOA.

The engagement with civil society organizations (CSOs) will be formalized either through procurement or grant agreements managed by UNDP under the COSS with acknowledgement from BAPPENAS as the Implementing Partner. Although UNDP holds the fiduciary responsibility, the decision on prioritization of activities rests still with the Implementing Partner.

All UNDP programmes are encouraged to be on-budget whereby all projects should be reported and registered to Government of Indonesia. UNDP advocates for project implementation through on-budget/off-treasury modality since the nature of UNDP support is not budgetary support but technical assistance. All activities that are directly implemented by UNDP are integrated into the government system through validation, following the PMK 40-2009 on administration of grants.

### C. CSO Engagement

The project aims to influence key "drivers of change" in partner provinces and to support provincial partners to take charge of future capacity development efforts. Both supply and demand sides of governance will be addressed. The project will therefore encourage the wider inclusion of stakeholders, including civil society organizations (CSOs).

The preceding section has indicated that specific activities may require the sub-contracting of civil society organizations (CSOs), either through procurement or grant agreements. In this way, CSOs will be involved in project implementation to strengthen provincial governance and at the same time will be empowered to contribute to wider development objectives nationwide and in the pilot provinces. The PMU will ensure that the engagement with CSO produces the results specified in the agreements, to the required standard of quality and within the specified constraints of time and cost.

### D. Donor Visibility

The AusAID logo shall be displayed in banners and backdrops of events and activities sponsored by AusAID. The logo shall also be displayed on books and publication produced by the project. The

placing of the AusAID logo vis-à-vis the logos of the project, UNDP and the government logos, as well as those of other donors is described in Annex 3: Visibility Guideline.

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## VII. MONITORING FRAMEWORK AND EVALUATION

### A. Monitoring Framework

The project will maintain its monitoring and evaluation principles as stipulated in the project document (Annex 1) whereby Monitoring and Evaluation will be directly conducted by UNDP as part of its project assurance function. A detailed monitoring framework is provided in Annex 4: Monitoring Framework.

### B. Reporting

UNDP agrees to the following reporting plans to AusAID:

- UNDP will share the project's internal quarterly monitoring reports with AusAID every quarter;
- UNDP shall also furnish semester progress reports at the end of July for the January – June reporting period; and January for the June – December reporting period; and
- UNDP shall also furnish at the end of April 2012, the project's Annual Report which focus on achievements at the outcomes level.



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## VIII. ANNEXES

Annex 1: Project Document of Provincial Governance Strengthening Programme

Annex 2: Organization Structure

Annex 3: Visibility Guideline

Annex 4: Monitoring Framework

Annex 5: UNDP Anti-Fraud Policy

Annex 6: DIALOG Implementation in Gorontalo