

Social Policy Study

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UNICEF Indonesia**

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Social Policy Study: UNICEF Indonesia

1 Introduction

1.1 *Rationale for this study*

This study was undertaken as part of the 2008 Mid-Term Review (MTR) of the UNICEF Indonesia Country Programme 2006-2010. It is motivated by the recognition that along with economic growth in Indonesia over the past decade, there is also an ongoing social and political transition. Indonesia is a middle-income country, but has significant disparities in poverty levels, health status, education achievement, access to water supply, and other development indicators across its population groups and geographical territory.

Moreover, decentralization, which began in 2001 with the implementation of the first laws on regional autonomy and fiscal transfers, has changed the mechanism of governance across the country. Sub-national governments now enjoy greater political, policy-making, and fiscal autonomy. These shifts in the social, economic, and political context of Indonesia have implications for UNICEF's programme, partnerships, and staff competencies.

Other reviews related to the MTR have addressed aspects of these implications. For instance, the review of sub-national presence of UNICEF in Indonesia (Field Office Task Force, 2007) examined the relevance of UNICEF's field offices (FO) against the situation of women and children and the adequacy of their current role and capacities to support the decentralization process. The decentralization review (Decentralization Task Force, 2008) examined organizational capacity, accountability, and division of responsibility between Jakarta and FOs.

The above reviews have addressed questions of organizational structure, roles, and capacity in the context of decentralization. The objective of the present study is to highlight how UNICEF may orient the strategies and content of its work towards evidence-based policy analysis and advocacy.

The study aims to understand the institutional changes that have occurred, and are ongoing, due to decentralization, and to identify the challenges that central and sub-national governments face in the policy process. The "policy process" here is taken to mean the process of policy-making, planning, budgeting, implementation, and monitoring and evaluation at each level of government in Indonesia: central, provincial, and district/city (kabupaten/kota). The study aims to provide recommendations for UNICEF's strategic approach, partnerships, and competencies to ensure that children's rights are reflected in policy decisions, government work plans, and resource allocations.

1.2 *International experience with analysis of decentralization and social policy*

It is useful to place Indonesia's experience with decentralization in an international context. Decentralization has been a trend in many countries in both the developed and developing world. There is a growing body of literature on decentralization in low and middle-income countries spanning Africa, South and East Asia, and Latin America, which shows that decentralization raises similar challenges and opportunities in other countries. This study brings in insights from the literature where relevant.

With the growing experience with decentralization around the world since the 1980s, there has also been a shift in the focus of analytical studies of decentralization. While the first generation of studies was concerned with service delivery arrangements and outcomes, the current generation of studies focuses on institutional analysis (Rodden, 2004). Analyzing institutions includes understanding governance structures and mechanisms of decision-making across levels of government. Current literature shows that “it is the complex entwined mix of political, fiscal and policy institutions that generate responsive local officials” (Kauneckis and Andersson, 2006). This study is guided by an analytical focus on the institutions involved in the policy process, and identifying UNICEF’s role in that process.

In addition, this study is informed by recent approaches to policy analysis, which focus less on the technical content of policy, such as the debate on user fees, and more on the “actors, power, and processes involved in developing and implementing policy, and the context within which decisions are made” (Overseas Development Institute [ODI], 2007; see also Uchimura and Jutting, 2006). In other words, while analysis of the technical aspects of a particular policy is important, it does not provide the full picture of its success or failure. Policy analysis involves a systematic institutional analysis¹ of how that policy is decided, budgeted, and implemented.

The upshot for UNICEF in Indonesia is that in defining a path going forward, taking on more evidence-based policy analysis and advocacy is extremely timely and relevant.

1.3 Methodology and scope of the study

This study was conducted by one international consultant and one national consultant over five weeks, with about ten days spent in the field covering two provinces. Given the diversity and complexity of Indonesia, a policy study conducted in a short time has to be focused in order to be substantive and relevant to UNICEF’s MTR. Thus, this study focuses on the policy process and its challenges for governments at different levels, on the strategic opportunities for UNICEF’s support to and advocacy in this process, and on the approach and competencies that such support implies.

The study does not evaluate UNICEF’s budget or organizational structure, noting that the latter was the subject of the field office review and decentralization task force review. While the study is not an assessment of the competencies of UNICEF staff, it does observe to what extent staff are engaged in the policy process, and indicates the kinds of skills and knowledge required for policy-related work.

While it does not analyze specific laws and policies in each social sector, it draws upon the CO Annual Report 2007 and other programme documents as well as interviews with staff to examine the extent to which UNICEF’s activities have addressed policy issues.

The field office review and decentralization task force report both concluded that UNICEF staff felt they did not know enough about policy processes under decentralization, and did not find themselves to be adequately equipped to enter that process as technical experts and advocates. Therefore, in selecting organizations and individuals to interview, and in deciding the content of the interviews, this study was guided by the following questions:

¹ Examples of questions that would be asked in an institutional analysis are: Who makes decisions? How are those decisions made? What formal and informal rules are in place? Who has authority to overturn the decisions? What are the mechanisms for participation, supervision, sanction, or reward? What are the roles of government officers? What are the challenges they face in carrying out their responsibilities?

- What relationships of authority and oversight have been created by decentralization? How much autonomy do sub-national governments have, and in what areas? What is the role of the central line ministries and other central government offices?
- How is the policy process supposed to work according to the legal and regulatory framework, and how does it work in reality? To what extent do sub-national governments follow guidelines on procedures and content, and what challenges do they face in doing so?
- According to government officials (at all levels), in what ways could UNICEF improve its support to the policy process? What is the view of non-government partners?

Methodology

We reviewed literature on decentralization in Indonesia, international comparative analysis on decentralization, and the impact of decentralization on social sectors. We traveled to Central Java and Papua for field visits and conducted individual interviews and group discussions with the following organizations:

- In Jakarta, central line ministry officials from the Ministry of Social Affairs (MOSA), Ministry of Health (MOH), central statistical office (BPS), and Bappenas.
- In Central Java, the district government in Solo and provincial government in Semarang. In Papua, the district government in Mimika and Jayawijaya, and provincial government in Jayapura. In each location we met with planning officers (Bappeda) and sectoral officers (dinas), mostly from health, education, and women's empowerment. We met with parliamentarians in Timika, Solo, and Semarang, and secretary of the parliament at Wamena; NGOs in Solo and Semarang; and academics in Solo, Semarang, and Jayapura.
- The World Bank, ADB, UNDP, and UNFPA in Jakarta.
- UNICEF staff in Jakarta and the above field offices.

2 Legal and regulatory framework for decentralization

2.1 Background to decentralization in Indonesia

Before decentralization, the central government decided national policies, made sectoral plans, and allocated resources in each area of social and economic development. Central government was also in charge of recruiting and training civil servants, including teachers, social workers, and midwives. Collecting administrative data was centrally managed. The responsibility of provincial and district governments was to implement policies according to guidelines issued by the central government. Sub-national governments largely were not expected to undertake data analysis or strategic visioning, or to raise and manage their own revenues.

After three decades of central planning, in 2001 Indonesia decentralized its system of government. Across most sectors, many functions were "devolved" to sub-national governments, some functions were "deconcentrated," and a few remained centralized. (Annex 1 describes common terms and forms of decentralization.) It was not a gradual move. Sub-national share in total government spending doubled. Two-thirds of the central civil service was reassigned (Hadi, 2004).

In Indonesia, decentralization has brought the following changes:

- Political decentralization has implied greater influence in decision-making for communities and locally elected representatives².

² In 2004, direct local elections of the bupati/walikota at the kabupaten/kota level and the governor at province level were established. Community participation is central to the bottom-up planning process, but a common observation was that sub-national plans and budgets did not ultimately much represent the interests of communities.

- Fiscal decentralization has given sub-national governments greater autonomy to raise revenues, retain more local taxes and fees, and borrow funds.
- Administrative decentralization has given district and provincial governments, including sectoral offices and planning bureaus, the responsibility to plan their own development programme and annual plans, integrate bottom-up aspirations with higher level guidelines, raise revenues and decide budget allocations, and implement their plans.

Sub-national governments have far more autonomy than before, with the central government playing a role in guiding national development and funding a part of it. For instance, about half (51 percent) of total national³ development expenditures are spent by the central government (World Bank Indonesia Public Expenditure Review [PER], 2007). Sub-national governments execute the remaining 49 percent of development spending.

2.2 *The legal framework of decentralization in Indonesia*

Influencing the policy agenda requires first identifying the strategic entry points, which implies understanding the policy-making mechanisms involved, and knowing where responsibility lies within levels and offices of government. Government responsibilities are typically laid out in laws and operationalized through regulations. This section presents an overview of the key decentralization laws.

2.2.1 Why the legal framework is important

If UNICEF is to take a strategic approach to advocate for children’s rights in policy and budget decisions, then understanding the legal and regulatory context of decentralization is essential. This is because when greater responsibility and autonomy is given to lower levels of government, it creates multiple locations of decision-making. Where previously there was one centrally-determined national development plan, now each province and district has a plan, each of which is derived from the national framework and is based on the specific conditions and priorities of the region⁴.

Local politics and lack of local technical expertise are just two of the challenges that can overtake the content of these plans. In order to ensure that these hundreds of plans are consistent and reflect national priorities, the central government issues laws that:

- Spell out the division of responsibility between central and sub-national governments
- Set procedures and guidelines for the sub-national policy process
- Define standards for quality and outcomes

Laws and regulations are the first essential step for the smooth functioning of a decentralized government. Without a clear definition of responsibilities such as who is in charge, who has oversight, how that oversight can be exercised, what the sanctions are if a procedure is violated or a standard is not met, how national funds are to be sub-nationally distributed, etc., there would be no clarity on decision-making procedures, and no consistency on policy implementation. There would be no guarantee of balance and equity across regions, or of protection for vulnerable groups who may not have power at each decision-making location.

³ “National” government expenditures are defined as the sum of expenditures by central, provincial, and district governments. There are three broad categories of expenditures for the central government: Development projects, routine operational costs, and transfers to sub-national governments.

⁴ Throughout the report, “region” is used interchangeably with “sub-national,” and refers to territories at both province and district/city level.

For UNICEF, the legal and regulatory framework represents an opportunity for advocacy. By influencing the design and implementation of the framework, by advocating for principles of balance and equity and standards, and by making strategic use of its resources, UNICEF could help to ensure that children's rights are considered in policies, plans, and budgets across districts and provinces.

2.2.2 Decentralization is a process, not an event

The first decentralization laws in Indonesia were issued in 1999 and implemented in 2001. Since then, two key laws were amended in 2004, and the process of clarifying and refining the laws is ongoing. There is still ambiguity about the procedures among subnational governments. Moreover, some regulations, such as on minimum service standards, were not issued until 2007, and the various regulations have not always been clearly drafted, requiring further clarifications. Specific standards in health, education, and other sectors are now being finalized⁵.

Some current practices are being reconsidered. One case is that of deconcentrated funds or "decon," which are funds controlled and spent by central line ministries directly at the local level. According to Law 33/2004 on fiscal transfers, decon funds, should be transferred to the earmarked special allocation fund (Dana Alokasi Spesial or DAK), which is distributed by the Ministry of Finance⁶. (See Section 4 for more on sub-national government revenues.)

Such back and forth in practices and regulations is not unusual in decentralization efforts. International experience shows that decentralization is a process (Rodden, 2004), not a single event with a short transition. Rodden (2004) showed that in a sample of 43 countries, the percent of countries where sub-national governments have greater autonomy has been rising since the 1980s, implying a continuous revision of laws and regulations. (See Annex 2 for a graph showing this trend). Even in developed countries, the decision-making, financing, and service delivery arrangements of social sectors, such as the education or health system, have been revised and adjusted over time⁷.

2.2.3 Key decentralization laws

Law 22/1999 on regional autonomy. This law established that "obligatory sectors for local government include health, education, public works, environment, communication, transport, agriculture, industry and trade, capital investment, land, cooperatives, manpower and infrastructure services. Provincial governments are to coordinate local governments and perform functions that affect more than one local government" (World Bank Indonesia PER, 2007, p. 113).

Law 25/1999 on regional fiscal relations. According to this law, from the national budget, over 40 percent of general government spending and 60 percent of development spending would be allocated to the regions, which were made responsible for 11 key government functions.

⁵ Based on discussions with Bappenas, ADB, and UNDP, and mentioned in World Bank documents.

⁶ World Bank Indonesia PER 2007, Health PER 2008; discussions with World Bank, UNDP, and ADB

⁷ For example, in the Netherlands in 1996, the Dutch government added new risk-adjusters to its health insurance fund allocation formula, such as area of residence and disability status. In 2001, the government again addressed regional variation in its health system by adjusting the health insurance allocation formula, by accounting for interregional differences in socioeconomic status and in supply of health care facilities. In Sweden, in 1992, health sector reforms decentralized the responsibility for financing and providing long term care to the elderly and the disabled, transferring this function from county councils to municipalities.

Law 18/2001 and Law 21/2001. These laws granted Special Autonomy to Nanggroe Aceh Darussalam and Papua within the framework of the Unitary State of the Republic of Indonesia. Special Autonomy refers to special authority granted to these two provinces to regulate and manage the interests of their people at their own initiative. The motivation to give special autonomy to Aceh was its particular historical background and socio-religious characteristics. For Papua, the law recognized the need for specific policies to improve living standards in Papua and give opportunities to the natives of Papua.

Law 32/2004 on regional autonomy, an amendment to Law 22/1999. This law dropped the notion of limited autonomy of provinces found in Law 22/1999. The intent of Law 32/2004 was to give more power to provincial governors as the representatives or ‘extended arm’ of the central government in the provinces. Law 32/2004 also allowed for direct elections of the head of districts (Bupati) and provinces (Governor). It aimed to clarify the obligatory functions of sub-national government, and to give greater oversight authority to the provinces over kabupaten/kota through deconcentrated tasks (World Bank Indonesia PER, 2007; USAID, 2006).

Law 33/2004 on regional fiscal balance, an amendment to Law 25/1999. One stipulation of the Law 33/2004 was to re-channel central spending from decentralized tasks of line ministries to the DAK, the earmarked special allocation fund which flows to sub-national budgets.

Regulation 65/2005 issued by the central government to establish Minimum Service Standards (MSS). This regulation aims to guarantee that local governments provide basic services, and that basic services are accessible to all citizens. MSS include input and outcome indicators, and can be used to determine the costs required for providing services. For example, revenue allocations to local governments could depend on progress achieved in meeting MSS. According to regulation 65/2005, MSS should be integrated in local planning, local budgeting, scrutiny, reporting and in instruments for evaluating the performance of the head of the region as well as evaluating local government capacity (Mohamad, 2007). According to an USAID (2005) assessment, the challenge is to make the regulation more operational. Provisions concerning MSS are included in the legal framework for planning, budgeting, monitoring and evaluation, accountability reports, but are not operational (Ferrazzi, 2008).

Regulation 38/2007 on functional assignment between levels of government. Decentralization laws of 1999 and 2004 outlined the principles for functional assignment; the aim of government regulation 38/2007 was to make the functions explicit, and to clarify fiscal transfers and oversight authority across government levels.

2.3 *Division of responsibilities in the social sectors*

2.3.1 Decentralized sectors and obligatory functions: Laws 32/2004 and 33/2004

According to Law 32/2004, central government is responsible for matters related to foreign policy, defense and security, judiciary, monetary and fiscal issues, and religion. Other responsibilities of the center include national planning, macroeconomic policy, intergovernmental fiscal relations, state administration and organization, as well as human resources development. All other sectors are decentralized to some degree.

The responsibilities of the regions includes a range of public services, including in public works, health, education and culture, agriculture, communication, industry and trade, capital investment, environment, land, cooperative and manpower affairs. Overlap between expenditure responsibilities has been a cause of confusion between levels of government.

Law 34/2004 states that government affairs under provincial and district/city authority are of two types: obligatory and optional. The specification of obligatory affairs of the province and district/city, as listed below in Annex 3, are overlapping and very broadly defined.

2.3.2 Clarity on obligatory and discretionary functions: Regulation 38/2007

Regulation 38/2007 aims to clarify the above confusion. However, so far there is little harmonization of sectoral laws within the legal framework for regional government, and inadequate elaboration in GR 38/2007 to effect functional assignment (Ferrazzi, 2008). Further, GR 38/2007 gives the provincial government a major devolved role, implying autonomy from the center, with respect to the district/city in terms of supervision, monitoring and evaluation, control, coordination, planning, and conflict resolution. However, such autonomy of the province from the center clashes with the role of the Governor as a representative of the central government (Ferrazzi, 2008).

Regulation 38/2007 outlines the obligatory and discretionary functions of the central, provincial and district government. According to Regulation 38/2007, there are 26 obligatory functions for provincial and district government. These functions are related to basic services, such as education, health, environment, women empowerment and child protection, public works, housing, family planning community and village development, etc.

There are eight discretionary functions, which refer to selected affairs of government that potentially can improve the welfare of society by considering conditions, uniqueness, and their own 'primary' potential resources. These include fishery, agriculture, forestry, industry, tourism, etc. The determination of what is an obligatory and discretionary function appears to sectorally oriented, rather than decided by the nature of function (USAID, 2006, p. 5). Discretionary functions are to be elaborated within a year of the issuance of Regulation 38/2007, in order to ensure that "regional governments make them explicit prior to exercising them" (Ferrazzi, 2008, p. viii).

2.3.3 Minimum service standards: Regulation 65/2005

Law 32/2004 mentions that mandatory government affairs should be run on the basis of minimum standards of service (MSS). The MSS are set out in Regulation 65/2005, which outlines how the standards should be prepared and introduced. The MSS are to be administered in stages and stipulated by the central government. The MSS are an effort to match functions and finances, and to maintain common levels in access and quality of basic services across regions.

Though provisions concerning MSS are present in the legal framework, the MSS are not fully operational, and detailed guidelines are being finalized (USAID, 2006). Sectoral ministries seem to hold conflicting understandings of obligatory functions and MSS, and neither do regional governments hold common views of their roles and performance (Ferrazzi, 2008). Regulation 38/2007, which specifies obligatory functions of regional governments, includes a long list of these functions. But there is a lack of consensus on the scope of MSS with respect to the obligatory functions of regional governments (Ferrazzi, 2008).

2.3.4 Examples of financing arrangements and responsibilities across levels of government

Table 1 and Table 2 illustrate how the three levels of government are involved in carrying out activities across the sector. For example, each level of government has a role to play in financing aspects of the education system. In the health sector, all three levels contribute in different ways to developing the infrastructure and managing the operations of the health sector functions.

However, there is ambiguity and confusion about the division of responsibilities, as indicated in this report.

Table 1. Summary of intergovernmental financing arrangements in the education sector

	Central	Province	District
Primary financing responsibility	- Higher education.	- Secondary education - Vocational education - Special education service.	- Early childhood education - Primary education - Non-formal education.
Additional support / subsidy	- Early childhood education - Primary education - Secondary education - Non-formal education - Specific education - Special education service	- Early childhood education - Primary education - Non-formal education - Higher education.	

Source: World Bank district education PER 2008; based on Regulation 38/2007.

Table 2. Examples from the health sector of role of each level of government in procurement

	Central	Province	District
Construction of a new puskesmas	- Define/issue minimum standards for building infrastructure - Funding through allocation (DAK) or deconcentrated funds	Funding (APBD I)	- Feasibility assessment - Proposal to center or province (depending on funding source) - Land acquisition - Funding (APBD II) - Procurement - Construction
Recruitment of new staff	- Regulation on staff recruitment - Staffing quota for the sector - Salary through DAU	- Recap of district proposals - Forward proposal to center	- Proposal of new staff need (Dinas Kesehatan to province) - Selection process (local civil service agency) - Deployment (Dinas Kesehatan)
Drug procurement	- Development of national essential drug list - Pricing of generic drugs - Procurement and management of national buffer stock	- Procurement and management of provincial buffer stock	- Planning of drug need - Procurement - Distribution

Source: World Bank Health PER, 2008

3 Understanding the policy process in Indonesia

3.1 Mapping the annual planning and budgeting process

This section illustrates the steps in the annual planning and budgeting process at the village, district/city, and province level, and outlines the strategic importance of each stage⁸. The planning process is laid out in Law 25/2004.

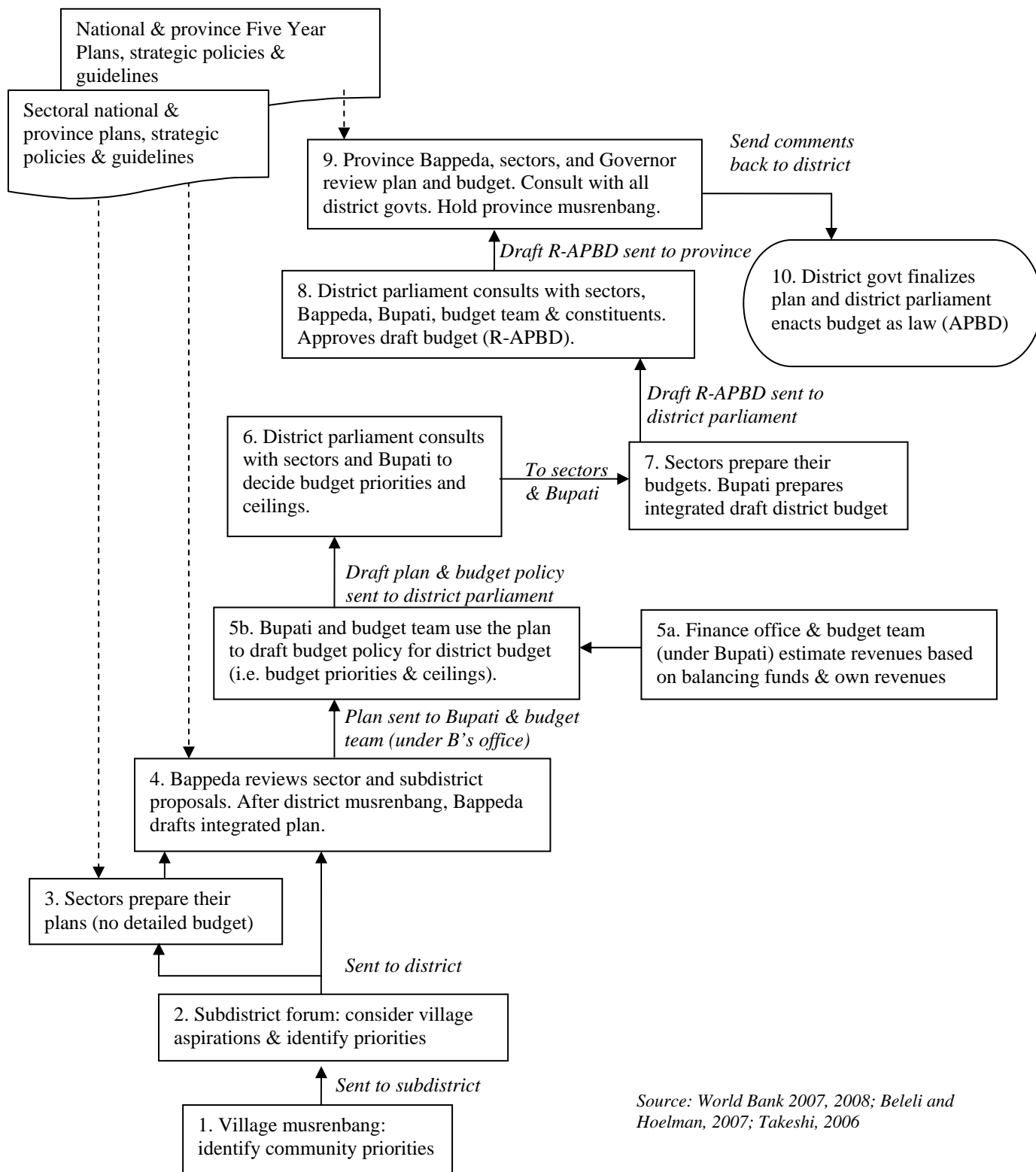
⁸ This section is based on Law No. 25/2004; World Bank Indonesia PER, 2007; World Bank Health PER, 2008; Beleli and Hoelman, 2007; and Takeshi, 2006.

Each district annual workplan is drafted beginning from village level upwards, and integrates medium- and long-term provincial and national priorities. The annual workplans of subnational government are guided by the Five Year Development Plan (medium term) and the Twenty Year Development Plan (long term) at each level of government as well as by plans of the levels above.

Bappenas and Bappeda have an important role in integrating bottom-up and top-down concerns. According to Law 25/2004, all three documents--the long-term development plan, medium-term development plan, and annual work plan that includes indicative expenditures--have to be presented for discussion in public meetings, and have to incorporate the results from the bottom-up process (World Bank Papua PER, 2005, p. 13). This study did not investigate in depth the process for drafting the long and medium term development plans, but a brief description is provided in Annex 4.

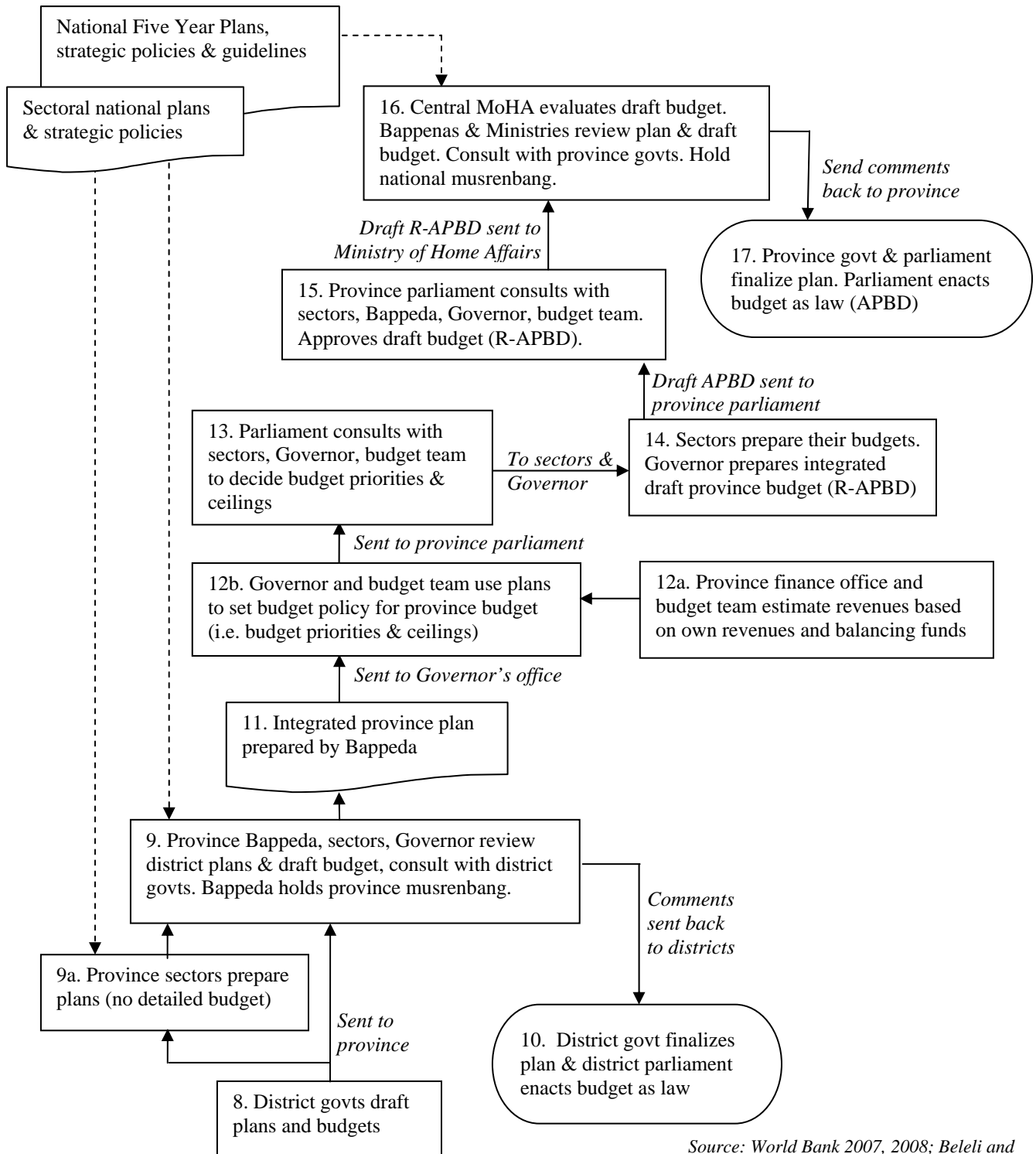
In Papua, there is an additional bottom-up planning process known as RESPEK, which stands for Rencana Strategis Pembangunan Kampung (Strategic Plan for Village Development). RESPEK is a provincial strategy to implement development programmes at village and sub-district level in Papua. It focuses on basic education, health, food and nutrition. The activities under RESPEK are developed at the same time as the village musrenbang, or public forum. The village community has authority and responsibility to develop their plan and budget for RESPEK, and to implement and report on it.

3.1.1 Village and district annual planning process



Source: World Bank 2007, 2008; Belevi and Hoelman, 2007; Takeshi, 2006

3.1.2 Province planning and budgeting process

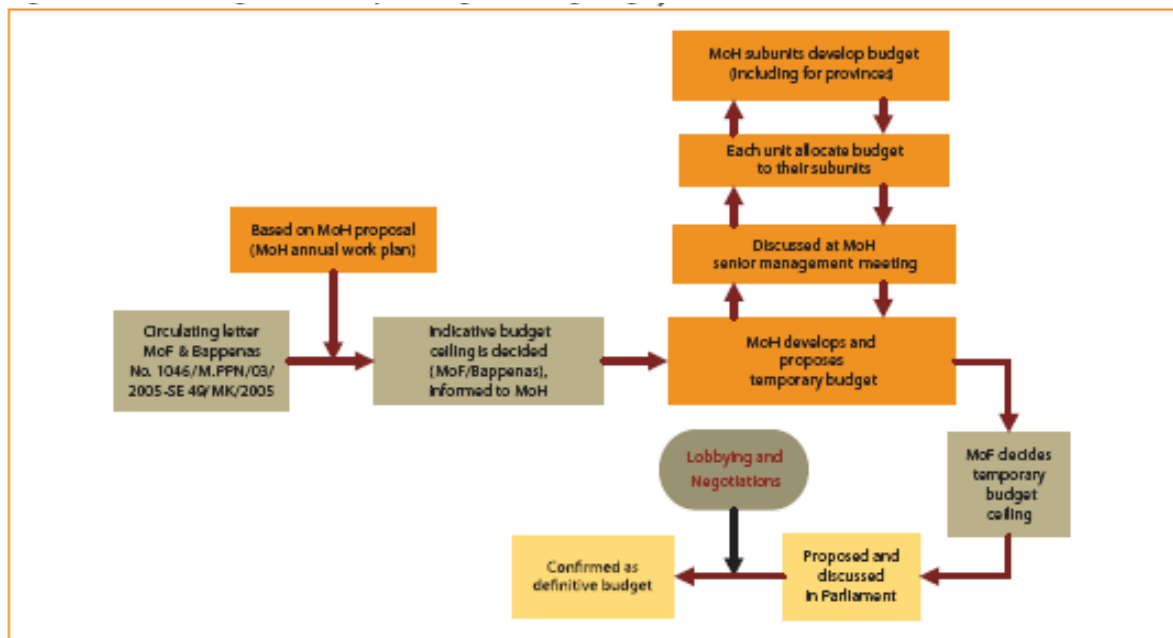


Source: World Bank 2007, 2008; Beleli and Hoelman, 2007; Takeshi 2006

3.1.3 Central line ministry planning and budgeting cycle

Most of the investigation for this study focused on district and provincial level planning and budgeting. The figure below outlines the process typical for a central line ministry, in this case the Ministry of Health (MOH). The figure illustrates the negotiations and discussions that are involved in devising central level plans and budgets. These steps are not discussed extensively in this report. A brief description of the medium and long term development planning process is available in Annex 4.

Figure 1. MOH planning and budgeting cycle



Sources: Atmawikarta, A., 2008, and Marhaeni, D., 2008.

Source: World Bank Health PER, 2008

3.2 Strategic importance of each step and its challenges

The actors—institutions and individuals—involved in the policy process include: Sub-national sector offices and finance office, district and provincial Bappeda, Bappenas, Bupati, Governor, central line ministries including Ministry of Finance (MOF), national statistical office, and Parliamentarians at all levels. NGOs and academics may play a part in providing inputs to the process.

The following table outlines the key actors involved at each step, its strategic importance, and the challenges that governments face at that step. The table indicates box numbers, corresponding to the numbered boxes in the graphs in Section 3.1, where applicable.

Table 3. Strategic importance and challenges in the policy process

Steps and key actors in policy process	Strategic importance and challenges at each step
Village and sub-district participation: Box (1), (2) Village musrenbang and sub-district forum	
Community NGOs	<p>Strategic importance of the step</p> <ul style="list-style-type: none"> - NGOs facilitate the process: building capacity of NGOs can transfer knowledge to community - Increased sensitivity to social issues can influence public response to district govt plan <p>Challenges</p> <ul style="list-style-type: none"> - Communities tend to focus on economic development and infrastructure - Base priorities on immediate physical needs; not aware of social issues
Making local laws and policies:	
Bupati Governor Parliament Sector offices (dinas)	<p>Strategic importance of the step</p> <ul style="list-style-type: none"> - Creates legislation to address local needs and context <p>Challenges</p> <ul style="list-style-type: none"> - Local legislative and executive officers lack knowledge and capacity to devise laws - No systematic effort; depends on local power structure, e.g. the influence of the parliamentarian who holds the portfolio for women's and children's affairs - Lack of reliable evidence - Local laws not consistent with national laws
Initial sectoral planning: Box (3) District, (9a) Province	
Sector offices	<p>Strategic importance of the step</p> <ul style="list-style-type: none"> - Inform plans with evidence and knowledge of local situation (e.g. through academic sources) - Set priorities for social development - Devise strategic solutions tailored to local problems <p>Challenges</p> <ul style="list-style-type: none"> - Data availability, quality, consistency - Dinas lack capacity to envision/develop long term and strategic plans - Dinas at province level have no authority to reject district plans; unclear understanding of role of province sectoral expertise
Vertical and horizontal integration: Box (4) District, (9), (11) Province	
Bappeda Bappenas (after consultation with all other actors)	<p>Strategic importance of the step</p> <ul style="list-style-type: none"> - Ranks and sorts regional priorities and sectoral priorities - Opportunity to develop integrated approach, since Bappeda has knowledge on all districts. Integrate area-based and sector proposals - Opportunity to bring in national priorities <p>Challenges</p> <ul style="list-style-type: none"> - Complex task for district Bappeda: Pull together integrated plan that combines higher-level guidelines and bottom-up aspirations - Bappeda receives poorly put together plans from sectors - No reliable data on which to base strategic decisions

	<ul style="list-style-type: none"> - Lack of advocacy for social sector priorities; focus on economic development and infrastructure overtakes proposals from the social sector
Setting budget priorities and ceilings: (5a), (5b) District; (12a), (12b) Province	
Bupati Governor Budget team	Strategic importance of the step <ul style="list-style-type: none"> - Sets direction for how regional budget will be spent in each sector - Sets ceilings for each sector Challenges <ul style="list-style-type: none"> - Bupati's and Governor's interests can overtake sectoral priorities - Sector offices are not aware of how to advocate for resources (e.g. dinas heads may be unaware of who is in budget team, or how budget decisions are made)
Consulting with Parliament: Box (6), (8) District; (13), (15) Province	
Parliament Sector units Bappeda Bappenas Bupati Governor	Strategic importance of the step <ul style="list-style-type: none"> - Counterbalance to Bupati/Governor power and interests - Parliamentarians can challenge the plan and budget; can bring back into the budget the concerns of their constituency Challenges <ul style="list-style-type: none"> - Parliament is unaware of sectoral issues; relies on cursory observation, not reliable data/evidence - Parliament has weak capacity to understand budgets - Consultation with sectors is perfunctory
Formulating sector budgets/expenditure plans: Box (7) District; (14) Province	
Sector units	Strategic importance of the step <ul style="list-style-type: none"> - Determines components of sector budget Challenges <ul style="list-style-type: none"> - Weak capacity to develop expenditure estimates - Tendency to match activities to funding sources instead of developing strategic expenditure plan
Drafting final integrated regional budget: Box (7) District; (14) Province	
Bupati Governor Budget team Bappeda Bappenas	Strategic importance of the step <ul style="list-style-type: none"> - Decisions on resource allocations: impact sectoral workplans and budgets Challenges <ul style="list-style-type: none"> - Bupati's and Governor's interests can overtake the budget - Bappeda has a seat at the table, but how effective is its role? - Village-level aspirations get sidelined - Focus on economic development and infrastructure overtakes proposals from the social sector
Consulting with higher level government: Box (9) District; (16) Province	
Sector units Bupati Governor Bappeda Bappenas	Strategic importance of the step <ul style="list-style-type: none"> - Provincial level is likely to have greater authority in the future: opportunity to build capacity of province to supervise/guide districts Challenges <ul style="list-style-type: none"> - Discussions on inter-sectoral plans are weak - Province level has little authority to direct district plans
Policy implementation:	

Sector offices	<p>Strategic importance of the step</p> <ul style="list-style-type: none"> - Ensure equity and quality of access to social services - Translate legislation to tangible deliverables and outcomes - Use existence of policy as advocacy point to raise awareness of issue <p>Challenges</p> <ul style="list-style-type: none"> - Lack of effective implementation plan to make policy or law operational - Inconsistency of fund transfers year to year - Delayed disbursements of funds - Lack of transparency in budget spending - Lack of human resources, e.g. midwives, social workers
Monitoring and evaluation:	
Sector offices	<p>Strategic importance of the step</p> <ul style="list-style-type: none"> - Critical for building evidence-base and for strategic planning - Minimum service standards can ensure quality and universal access to basic services - Check on consistency with national priorities and guidelines <p>Challenges</p> <ul style="list-style-type: none"> - Weak information systems - Collection of routine (administrative) data is patchy; no sanctions if not collected - Cannot analyze data, cannot feed it in to following year planning cycle - Currently standards are vaguely defined, incomplete, and numerous; difficult for sub-national government to comply - Local laws not compatible with national laws; makes it difficult to trace if national guidelines are being followed - Academic resources are available but are not used
Making national laws and policies:	
Parliament Line ministries President	<p>Strategic importance of the step</p> <ul style="list-style-type: none"> - Enables advocates to hold government accountable, to pressurize Parliamentarians to follow up on their commitments - Set national legal and regulatory framework for child rights - Enable local actors to develop locally appropriate laws - Avoid incorrectly specified local laws and duplication of legislative efforts in each region <p>Challenges</p> <ul style="list-style-type: none"> - Profusion of laws at national level: overlapping, contradictory, difficult to enforce - Some important Conventions do not enjoy sufficient legal stature (e.g. CRC) - No budgeting/costing of law, no advocacy to get law included in budget, and therefore no guarantee that law will be implemented/enforced - Lack of awareness (among some development practitioners, NGOs, etc) of importance of having laws

4 Sources of spending in the regions

4.1 Sources of funds for subnational governments

According to the World Bank (Indonesia PER 2007), “after decentralization, Indonesia’s sub-national governments have become among the fiscally strongest in the developing world.”

The key difference in fiscal transfers before and after decentralization is that before decentralization, central transfers were mostly in the form of earmarked grants. After decentralization, central transfers were designed to minimize fiscal imbalances across regions. It was anticipated that regional governments would incur these imbalances in carrying out their new functions under the decentralization laws.

Central transfers to sub-national governments are thus called “balancing funds.” There are three main components of the intergovernmental fiscal transfer fund. The following descriptions are based on the World Bank Indonesia PER (2007).

- **Shared revenues, including tax and non-tax revenues.** Shared tax revenue comes from property and income taxes administered by the central government and transferred back to the regions. Shared non-tax revenue includes natural resource revenue distributed back to the regions.
- **A non-earmarked general allocation grant, Dana Alokasi Umum (DAU).** The DAU allocation is based on a formula. The overall DAU pool at the national level is calculated as a share (26 percent as of 2007) of net national revenues (i.e. net of shared revenues). The DAU formula has two components: the ‘basic allocation’ component and the ‘fiscal gap’ component.
 - The ‘basic allocation’ component is a lump sum to each region, and as of 2006, includes the wage bill of each sub-national government paid in full.
 - The ‘fiscal gap’ is calculated based on a formula. The ‘fiscal gap’ is the difference between fiscal capacity and expenditure needs after the wage bill has been paid.
 - Fiscal capacity accounts for the region’s own revenues. Expenditure needs are calculated based on socioeconomic characteristics of the region. Each factor is given a weight according to its importance, as follows:
 Expenditure Needs =
 [0.30 * Population Index +
 0.10 * 1/Human Development Index +
 0.15 * Area Index +
 0.30 * Cost Index +
 0.15 * Regional GDP per capita Index] *
 Avg Expenditure of the Sub-national Government.
 - Note that the formula takes into account the inverse of the Human Development Index (HDI) of the region, which implies that regions with lower HDI will receive higher level of DAU transfers.
- **An earmarked special allocation grant, Dana Alokasi Khusus (DAK).** The DAK is a relatively small component of transfers. It will likely become more important in the future, since funds that are currently transferred directly from central line ministries to the regions, deconcentrated or “decon” funds, will be channeled through the DAK, as stipulated by Law 33/2004. DAK has been used for education, health, infrastructure, and government office infrastructure. Its uses are scattered across sectors and purposes, and have not been consistently defined by the central government.

Own source revenues are relatively small, accounting for about 9 percent of revenues of the district/city government. Table 4 below shows the relative importance of each source in the budgets of district and provincial governments.

Table 4. Composition of revenue of sub-national government, 2005

Source of revenues of sub-national government	Province		District/City	
	Amount (Rp Bn)	Share (%)	Amount (Rp Bn)	Share (%)
Own source revenue	28,014	49.2	12,530	8.8
Shared revenue: taxes	9,312	16.3	15,122	10.6
Shared revenue: natural resources	6,190	10.9	17,488	12.2
DAU	9,181	16.1	79,843	55.9
DAK	16	0.0	4,628	3.2
Other revenue	4,260	7.5	13,196	9.2
Total revenue	56,973	100.0	142,807	100.0

Source: World Bank Indonesia PER, 2007

4.2 Special Autonomy Fund or Dana Otsus

The Special Autonomy Fund (Dana Otsus) for Aceh and Papua, based on Law 18/2001 and 21/2001, were first distributed in 2002. The purpose of the fund is broadly stated as being to reduce the disparities between these provinces relative to other provinces, to promote living standards of its residents, and give Papua's original inhabitants greater opportunities. The Fund is defined as two percent of national DAU. As of 2005, in Papua the Otsus funds accounted for 60 percent of provincial revenues, and between 7 to 23 percent of kabupaten/kota revenues.

There is more monitoring by the central government of Otsus funds than of other fiscal transfers. According to the World Bank (2005), an "MoF/MoHA decree issued in April 2003 requires the province to report on the allocations of each tranche and gives MoF and MoHA the right to cancel the next disbursement if the Dana Otsus was not used as specified.... delays in reporting occur frequently, leading to delayed disbursements" (p. 22).

The provincial government is responsible for distributing the Otsus funds to the kabupaten/kota. According to the 2003 MOHA/MOF Decree, kabupaten/kota are supposed to receive the majority share of the Otsus, and the split is currently 40-60 between province and kabupaten/kota. The province decides shares for each kabupaten/kota government according to a basic equal amount and an additional amount "based on a formula that takes into account indicators of needs and fiscal capacity, including area, population, poverty, revenue from other sources and an indicator of relative prices and geographic difficulty" (World Bank, 2005).

There is no formal earmarking of the Otsus funds, though through our discussions we learned that there are allocations on education, health, and infrastructure stipulated in spending guidelines for the Otsus.

In Papua, the additional bottom-up planning process RESPEK (Strategic Plan for Village Development) is funded from a block grant from the provincial government. Each village receives Rp. 100 million. In several districts, local governments support RESPEK by distributing additional block grants to villages, as in Mimika district, where each village received Rp.100 million. These funds were allotted from the Dana Otsus budget of the province and district government. Block grants which are directly managed by the community are expected to significantly improve community participation.

Table 5. Sources of revenue in Papua province, 2003

	Province (billion Rp.)	Share of province revenue	District/City (billion Rp.)	Share of district/city revenue	Total (billion Rp.)
Own source revenue	117.9	7%	109.62	2%	227.52
Shared revenue: natural resources	108.17	6%	285.23	6%	393.4
Shared revenue: taxes	106.1	6%	441.6	10%	547.7
Grants (DAU+DAK*)	406.27	24%	3,112.75	69%	3,159.02
Special Autonomy Fund (Dana Otsus)	934.05	56%	533.98	12%	1,468.03
Total	1,672.49	100%	4,483.17	100%	6,155.66

Source: World Bank Papua PER 2005

4.3 Central government expenditure

There are three main categories of central government expenditure: (1) routine expenditures, (2) expenditure on development projects, and (3) intergovernmental fiscal transfers to regions. Table 6 shows the composition of central government expenditures since decentralization in 2001.

Transfers to regions increased from 19 percent in 2000 (pre-decentralization), to 30 percent after decentralization reforms.

Table 6. Composition of central government expenditures

Central government expenditure	2000	2001	2002	2003	2004	2005	2006*	2007**
Routine	65.6	64.1	57.1	49.7	54.9	55.9	52.5	52.4
Development	15.1	12.2	11.8	18.4	14.4	14.6	13.7	13.7
Transfers to regions	19.3	23.7	31.1	32.0	29.4	29.4	33.3	33.9
Total	100	100	100	100	100	100	100	100

World Bank staff estimates based on executed budgets

*2006 preliminary results, **2007 budget (APBN)

Source: World Bank Indonesia PER, 2007

The central government executes about half of its development spending directly, which means that these funds are planned and managed by the central line ministries. The other half of central government spending is channeled through deconcentrated⁹ line ministries, which means that it reaches technical sector offices (dinas) or specific projects at the sub-national level as funds to fulfill national priorities. For example, in the health sector the Ministry of Health (MOH) might spend deconcentrated funds, or “decon,” on district hospitals (See Annex 5). In the education sector, Ministry of National Education (MONE) might spend decon on schools. Decon funds might be routed through the district or provincial dinas, or they may reach the project directly¹⁰.

The problem is that “most deconcentrated spending in the regions goes towards financing the provision of services that have become the responsibility of provinces and kabupaten/kota. A recent study of central development spending in East Java estimated that 90-95 percent of central

⁹ Deconcentrated offices of central line ministries are offices located at the sub-national level; they may be staffed and run by the central government, or they may be district or province sector offices that, in addition to their own functions, are mandated to execute some activities as stipulated by the central ministry.

¹⁰ Deconcentrated spending may be implemented by sub-national technical dinas offices, but its financial reporting is separate from the sub-national budget (APBD).

education, health, and public works (settlements) spending in the province went towards financing sub-national tasks as defined in the decentralization legislation” (World Bank Indonesia PER, 2007).

The central government accounts for 51 percent of total national development expenditures. Sub-national governments execute the remaining 49 percent of development spending, part of which are earmarked as DAK funds. Thus both central and sub-national governments play a role in national development.

4.4 *Flow of funds to the social sectors*

Sectoral revenues are determined by a variety of sources of funding, routed through government channels at various levels. An example of funds flows in the education sector is presented in Table 7. For an illustration for funding flows in the education and health sector, see Annex 5.

A point to note is that the different sources of funds are decided by different government divisions at the central level and the sub-national level. Expenditures at sub-national level depend partly on the source of funds, i.e. whether the funds are earmarked or generally allocated, and whether they originate from the Ministry of Finance, line ministries, or own source revenues of the district or provincial government.

Table 7. Flow of funds in the education sector

Type of funds at sub-national level	Originating from ...	Channeled through sub-national level ...	Used to fund ...
DAU	MOF	- Provincial budget - District budget	<i>Used mostly for salaries and then other needs</i>
DAK	MOF	- District budget	<i>To be spent on national priorities</i>
Own source revenue	- Province revenues - District revenues	- Provincial budget - District budget	- Provincial Educ. Office - District Educ. Office - Schools
Tugas Pembantuan, co-administration funds	MONE	<i>Transferred directly from MONE</i>	<i>Mostly for physical assets</i> - Provincial Educ. Office - District Educ. Office - Schools
Deconcentrated funds	MONE	<i>Transferred directly from MONE</i>	<i>Mostly for service delivery</i> - Provincial Educ. Office - District Educ. Office - Schools
Central government functions	MONE	- Central government agencies in the regions	- Schools
BOS (Operational support to primary & junior sec. schools)	MONE	<i>Transferred directly from MONE</i>	- Schools

Source: World Bank education district PER, 2008

5 Challenges for the social sectors in the policy process

Section 5.1 discusses the obstacles in the policy process that result from ambiguity and lack of clarity in the legal and regulatory framework, while Sections 5.2 and 5.3 elaborate on the challenges identified in the policy and budgeting process at each level of government. The sections are organized according to the stages of the policy cycle rather than according to social sectors. The challenges are in many cases common across sectors¹¹.

5.1 *Lack of clarity in the legal and regulatory framework*

5.1.1 Evolving learning process

Several times since 2001, the central government has revised and issued regulations on the decentralized policy process. Civil servants attend training sessions on new regulations when they are issued. In our discussions, province and district officials always referred to laws by number and year when describing their responsibilities and procedures. There is a general awareness of the legal framework, but the process is evolving and still problematic.

For instance, Bappenas mentioned that each year they have held the national musrenbang in a different format. Each year they have learned from the year before. Last year, instead of discussing all policy issues on the agenda, they discussed only those issues in which there was a conflict between national priorities and subnational aspirations.

5.1.2 Multiple interpretations of sectoral guidelines

Laws are sometimes drafted in broad terms to express their intent and principles. They require further regulations to be issued in order to make them operational and clarify their practical details. For instance, Regulation 64/2005 from central government on minimum service standards (MSS) aimed to establish common levels of access and quality of basic services across regions. But detailed provisions are only now being issued through ministerial regulations (USAID DRSP, 2006, page5).

Without such clarifications, multiple interpretations of the law are possible. For instance, in 2002, the Constitutional article on education was amended to specify that the state should prioritize resources for education of at least 20 percent from the national budget and regional budgets. Later, the National Education System Law 20/2003 again redefined the 2002 benchmark. It narrowed the range of spending items that count toward the 20 percent target by explicitly excluding salaries (World Bank Indonesia PER, 2007).

Even with the narrowing of the definition, there is some confusion. For example, central government spending on education excluding salaries, taken as a percentage of total central government spending (excluding transfers to regions), is 7.4 percent. However, central spending on education excluding salaries, taken as a percentage of total central spending (excluding transfers to regions *and salaries of all other sectors*) is 10.1 percent (World Bank Indonesia PER, 2007, p. 187). Forthcoming regulations might help to clear the ambiguity.

¹¹ Draws upon discussions with sector officers in health, education, social welfare, and HIV/AIDS. In the districts and provincial governments that we visited, the participants did not include officials responsible for WES. Our observations in WES rely on discussions with UNICEF staff and secondary data.

5.1.3 Unclear delineation of functions and spending authority

Integrating central, provincial and district plans has proven to sometimes produce overlapping activities. One reason is that the delineation of spending authority and functions is not clear. Bappenas and the MoF need to reach a consensus on an operational definition of central spending on local tasks (World Bank Indonesia PER, 2007).

The bureaucratic solution to the lack of legal and regulatory clarity is to eliminate duplicated activities at the planning stage. For instance, at the central level, during the planning and budgeting cycle, central line ministries submit work plans and expenditure plans to Bappenas and the MoF for approval. Bappenas could, in theory, ensure that the central sectoral plans do not conflict with regional expenditure plans. However, the integration of plans is not a smooth task, and as yet there are no clear definitions on what should be exclusively financed by the central ministries and by the subnational governments.

This problem is also present between provincial and district level governments. For instance, the head of Bappeda in Mimika, Paupa, mentioned that the provincial government did not consult them when making its plans, and sometimes duplicated their activities¹².

Law 33/2004 on intergovernmental fiscal transfers is not fully operationalized. According to this law, central spending on decentralized tasks is to be fully channeled through the special allocation fund (DAK) under the Ministry of Finance. However, service assignments across levels of government are broadly defined, and the expenditure obligations at each level of government remain unclear. Regulation 38/2007, issued by the Ministry of Home Affairs, was intended to clarify this issue by specifying which sectoral responsibilities were to be taken up by which level of government, but the regulation only broadly indicates a list of sectors, not specific functions. Central spending is not yet fully streamlined through DAK in many sectors (World Bank Indonesia PER, 2007).

5.1.4 Lack of clarity of oversight role of provinces over districts

Law 32/2004 was intended to strengthen the oversight role of provinces over districts, i.e. to give the provincial government the authority to ensure that national priorities are being met in subnational plans. However the Law does not specify how this role will be exercised. The oversight role of provinces is different in the special autonomy regions, with the Governor having more authority in Aceh and Papua relative to Governors in the other provinces, according to the Special Autonomy Laws 18/2001 and 21/2001¹³. Yet we found in discussions with sectoral offices (dinas) at the provincial level in Papua that this function of the provincial government, namely their role in suggesting revisions of district plans, was not uniformly carried out, and perhaps may not be uniformly understood.

For example, the health office in Jayapura described its tasks in checking that district plans are aligned with national guidelines and with the prescribed programme menu. Beyond that, they do not suggest revisions to a district plan even if they find that the plan may not be the most effective strategy for addressing local health issues. They check if the plan is achievable given district capacity, but do not challenge its content. On the other hand, the education office in Jayapura was more definitive and assertive about its role in making suggestions to districts.

¹² See "Making the New Indonesia Work for the Poor," World Bank (2006, p. 236) for an analysis of division of functions between levels of government.

¹³ For instance, Law 21/2001 places more importance at the provincial level for Papua, in contrast to Law 22/1999 and its amendment, Law 32/2004, which focus on the kabupaten/kota level (World Bank Papua PER, 2005, p.6).

There could be several reasons for the different responses from the health and education dinas in Jayapura. One, we were not able to meet with the head of the health dinas, but rather with health programme officers. Clarity about the role of the provincial dinas may not be equally shared across its officers. Secondly, based on preliminary observation, the health dinas seemed to have fewer resources than the education dinas. If resources confer negotiating strength, then an office with low resources might be weaker in its capacity to enforce authority.

5.1.5 Lack of clarity in minimum service standards

Central government is supposed to set minimum service standards, but so far the standards have been vaguely defined, numerous, and difficult to comply with. The profusion of indicators creates an unrealistic set of targets for district governments, and is difficult for central government to track. Since 2000, the government, led by the Ministry of Home Affairs and key sectoral ministries, has made efforts to revise the standards in order to clarify the obligatory functions of regional government. As experts have pointed out, the affordability of minimum service standards and the capacity issues are the main concerns. Sectoral agencies at sub-national level still need concrete guidance, and the minimum standards need to be affordable, feasible, and enforceable (Ferrazzi, 2005).

Moreover, so far, there has been no system of sanctions against district governments for failing to meet standards¹⁴. This is changing now with central government efforts to develop service standards in health, education, environment, and other sectors that are linked to funding allocations from the Ministry of Finance.

5.1.6 Lack of clarity in regulations governing intergovernmental transfers

Ambiguities in the law can delay their implementation. For example, Law 33/2004 on intergovernmental fiscal transfers is not fully operationalized. According to the law, central spending on decentralized tasks is to be fully channeled through the special allocation fund (DAK) under the Ministry of Finance.

However, service assignments across levels of government are very broadly defined. Regulation 38/2007, issued by the Ministry of Home Affairs, was intended to clarify this issue by specifying which sectoral responsibilities were to be taken up by which level of government, but the regulation only broadly indicates a list of sectors, not specific functions. Central spending is not yet fully streamlined through DAK in many sectors (World Bank Indonesia PER, 2007).

5.2 *Challenges with policy-making and planning across levels of government*

5.2.1 Village and sub-district level

One challenge with bottom-up decision-making and participation is that due to lack of data and lack of awareness of local social issues, village priorities tend to reflect economic development and physical infrastructure wants rather than social development needs. Further, depending on the power relations within district government and the relative importance of the Bupati, only a small portion of the district budget ultimately represents village-determined priorities. The rest is decided by other demands on the budget.

5.2.2 District level

While district governments have developed their own laws, the local laws have not always been consistent with national laws. According to the newspaper “Kompas,” in 2005, approximately

¹⁴ Based on discussions with the World Bank, Bappenas, and various district officials.

300 local regulations conflicted with national laws. These laws were mostly related to revenues, taxes, managing natural resources, etc. The lack of consistency makes it difficult to trace where national standards are being followed and not. In July 2008, “Kompas” noted that the Director of Harmonization of Regulations, Ministry of Justice and Human Rights, had declared that 783 local laws would be abolished because those laws did not have perspectives on human rights, gender, and environment, among other factors. The local laws were discriminatory and unclear in their definition and content.

The power structure of local government may favor or disfavor social development. For example, the influence of the parliamentarian who holds the portfolio for women’s and children’s affairs can determine how much attention that issue receives in the policy process. For example, in Solo, the parliamentarian who was responsible for women’s empowerment and child protection was vocal and active in legislative process, had a greater say in policy-making, and was able to integrate activities that build upon each other.

Data is a problem consistently identified by NGOs and academics. There are examples of progress, such as province government allocation of funds to each district for building data collection, and UNICEF collaboration with universities at Semarang and in Papua. But overall, data quality is low, which constrains planning. Some of the challenges with data are as follows:

- District governments view data collection as a project activity and do not recognize its importance.
- According to the UNICEF FO in Central Java, different government offices at district level report varying numbers for the same indicator, because of lack of consistency of methods and sources of data collection.
- These problems with district-level data are confirmed by central level BPS. According to BPS, the problem is not with survey data but with routine, administrative data.

In addition, district governments are also constrained by not knowing how to plan. For example, in Jayapura, Papua, the provincial health office mentioned that district plans were sometimes simply duplicated from the previous year. There was little systematic consideration of medium term and annual priorities in the workplan.

5.2.3 Province level

Data is also problem at the provincial level, as described for districts above. Province governments described not only the lack of reliable data but also a lack of awareness among district governments of the importance of data. Some province governments have allocated provincial funds to districts to support local data collection efforts.

Another issue for province governments is that the Governor has no authority over district plans, except to direct the relatively small amounts of funds that provincial governments allocate to districts. In order to represent central level priorities in the regions, which province governments are mandated to do, they seem to have limited tools. The role of Bappeda at provincial level is as facilitator in the district planning and budgeting process. For instance, the provincial Bappeda in Jayapura, Papua develops a matrix to prioritize and synchronize district and sectoral plans. The provincial government in Semarang, Central Java had a mapping of all district level issues and data, which they used to plan their own “equalizing” activities across districts.

However, province governments said that they had no authority to command revisions in district plans and budgets as long as these followed centrally issued guidelines. Province dinas could suggest changes to district plans, but their understanding of this and their capacity to do so

seemed to vary across dinas. For example, as discussed in Section 5.1.4, the health office in Jayapura did not suggest revisions to district plans even if they found room for improvement in its content. They checked to see if it followed procedures. On the other hand, the education office was more assertive in stating its oversight role. The two sets of officers did not seem to share the same understanding of their role.

5.2.4 Central level

National laws in health have been held up for many years, which has constrained uniform implementation across the regions. The current health law dates from 1992. Revisions to the law have been languishing between the legislature and executive for over six years. According to UNFPA, national parliamentarians are positively disposed to some of the articles of the new health law, but MoH is not; this is a political tussle.

International experience shows that the distribution of functions across central, provincial and district governments needs to be considered separately for each social sector. Central ministries typically need to retain some functions at the central level, depending on the sector (Pan-American Health Organization [PAHO], 2008; Suhardi, Haryanto and Abduh, 2006). Defining social sector functions across the health, education, or social welfare system, and aligning them with financial responsibility is an ongoing exercise. Without an effective division of responsibility, central government can neither guide sub-national governments in their own functions, nor turn its attention to national priorities that are more cost-effectively and efficiently done at the central level.

5.3 *Challenges with budgeting across levels of government*

5.3.1 District level

District expenditure includes two components: compulsory items and optional items. In some cases, government officials take the view that as long as they allocate minimal amounts for the compulsory activities (which typically reflect national priorities), they can use the rest of the budget for optional activities¹⁵. In such a situation, the social sector offices need to undertake concerted evidence-based advocacy to ensure that social priorities do not fall out of the budget.

As in the planning stage, the power structure of local government can determine budget outcomes. The individuals and institutions that are formally part of making fiscal and resource allocation decisions are critical to influencing the budget. In theory, the bupati has advisors who inform him of social priorities that should form part of the budget. But in reality, the ultimate authority lies with those who sign off on the budget. For example, in Solo, the budget team consists of five people: one member of Bappeda, the bupati and his budget team, and others from the local finance office. The bupati exercises great control over what ultimately ends up in the budget.

District governments do not budget for items that are going to be funded by the central government, such as out of the DAK or the deconcentrated budget. District governments thus have to tailor their expenditure plans to the sources of funds and any stipulations attached to those funds. Changes in regulations on fiscal transfers and delays in disbursements from the central government can disrupt budget expenditure (World Bank Indonesia PER 2007, Health PER 2008, Papua PER 2005).

¹⁵ Based on discussions with UNICEF staff in Central Java.

Transparency of district government budgets is another challenge. There are sometimes major discrepancies between district budgets and actual expenditures. Resources that are earmarked for the health sector in district budgets may be used for other purposes without public debate or clear justification (Kristiansen and Santoso, 2006). Moreover, the central government does not have the authority to audit local governments, disclosure of local budgets is limited, and the legislative is weak (Kristiansen and Santoso, 2006).

5.3.2 Province level

As in the planning stage, the budgeting stage at the provincial level is faced with many of the same constraints with respect to unclear division of functions and oversight over districts. In addition, in the special autonomy provinces, the provincial government allocates resources to the districts. The World Bank Papua PER (2005) noted that, “the Special Autonomy Law and provincial regulations seem to support explicit earmarking for education, health and infrastructure. Enforcement of this earmarking is, however, difficult and requires adequate disbursement and monitoring mechanisms, among others, which do not currently exist” (p 25).

In order to track the use of the Dana Otsus, the province requires all bupatis to submit detailed annual reports. However, the APBD reports showed that districts did not follow uniform practices on recording the Dana Otsus revenues (World Bank Papua PER, 2005), making it difficult to distinguish the sources and uses of revenues.

5.3.3 Central level

If an activity or function is no longer considered a priority in the national budget, then this can affect resources for that function all through to the district level. For example, in the central government budget, funding for prevention of mother to child transmission of HIV/AIDS (PMTCT) under the maternal health budget was cut since mother to child transmission of HIV/AIDS was not considered as significantly contributing to reducing maternal mortality or improving maternal health. Central line ministry officials had to get creative about where to reallocate the budget for PMTCT. Budgets are already relatively low in the health sector (World Bank Health PER 2008). One solution was to place PMTCT activities under the budget for antenatal care at the district level as an add-on activity. This implies advocating to district health offices that they make PMTCT a priority and include it in their budget proposal under a specific category, to ensure that it will receive resources¹⁶.

An ongoing debate is about deconcentrated spending, i.e. direct central government expenditure in the districts, which is not recorded in provincial or district budgets. Decon funds constitute a substantial proportion of public expenditure at district level (World Bank Health PER, 2008). Law 33/2004 explicitly calls for shifting decon to DAK (earmarked special purpose grant), which is distributed by the Ministry of Finance (MOF). This has so far been resisted by the line ministries. For instance, Ministry of Health offers the counter-argument that if these funds were left to the discretion of the sub-national governments, they would not get spent on public health priorities (World Bank Health PER, 2008).

The significance of the shift from the line ministries to MOF is that firstly, these funds would no longer be managed by the central ministries, but more in keeping with the spirit of decentralization, by the provincial and district level governments. Secondly, the MOF, and not

¹⁶ Based on discussions with MOH official whose responsibility is in implementation, not planning.

central line ministries, would determine the allocation of these funds to sub-national governments.

5.3.4 Medium Term Expenditure Framework

Bappenas, supported by the World Bank, has been keen to implement a Medium Term Expenditure Framework (MTEF), with rolling multi-year budgeting. Under the MTEF, the annual budget includes three-year spending plans. Each year, Parliament would vote on the immediate upcoming fiscal year budget, but the government presents budget estimates for the following two years as well. In the subsequent budgeting cycle, previous estimates for the upcoming years are updated, and again the budget would include spending plans for the next three years. The aim of the MTEF is to encourage sectoral cooperation and longer term planning.

The key components of the MTEF, according to the World Bank Public Expenditure Management Handbook (1998), are:

- a top-down resource envelope, i.e. a macroeconomic model with fiscal targets and estimates of revenues and expenditures,
- a bottom-up estimation of the current and medium-term costs of existing policy, which is prepared by the sectors, and
- the matching of costs with available resources in the context of the annual budget process. “The integration of the top-down envelope with bottom-up sector programs occurs by means of a formal decision making process” (Le Houerou and Taliercio, 2002).

The current budget process already includes elements of the MTEF principles. For instance, the National Five Year Development Plan 2005-2009 includes a fiscal discipline target to reduce Debt-to-GDP ratio to 31.8 percent; since 2005, indicative top-down ceilings have been provided to line ministries along with agreed performance outputs; and the process of integrating top-down and bottom-up plans includes public forums or *musrenbangs* (Suryabrata, 2006).

Some of the challenges with the current process, as highlighted by the Director for Allocation of Development Funding, Bappenas (Subrayata, 2006), are as follows:

- Policies are weakly costed
- Allocations need to focus more strongly on achievement of results (outputs and outcomes)
- Fiscal decentralization has to be further implemented through division of authority and functions with financing capability
- Monitoring and evaluation has to be developed further to link program and activity performance to allocation of resources.

6 UNICEF’s involvement in the policy process

Decentralization clearly has implications for UNICEF for advancing children’s rights in Indonesia. However, a change in strategic direction for UNICEF will more likely involve an orientation towards policy analysis and advocacy rather than an overhaul of existing competencies. This section discusses UNICEF’s involvement with policy-related work.

6.1 *Staff competencies*

This study was motivated by UNICEF’s need to strategically influence social policy, and it highlights opportunities to do so. The study found that the Country Office (CO) and Field Offices

(FO) were involved in activities related to policy analysis and advocacy. The nature and level of involvement varied across programme sections and offices.

The review of FO sub-national presence and the decentralization review conducted in 2007-2008 confirmed that staff are aware of the impact of decentralization on central and local government responsibilities, but may not know the details of the policy process or how to adapt their work given the evolving context for social development. Staff may not be aware of how to influence district, province, and central level policy-making and budgeting.

In FOs and CO sections which appeared to be more involved in policy analysis and advocacy, certain competencies and approaches were evident among staff at different positions and levels of responsibility¹⁷:

- Analytical skills
- Technical knowledge of their field
- Familiarity with the structure and functions of government, i.e. legislative, executive, and judiciary
- Familiarity with mechanisms of government processes, e.g. district planning process
- Capacity to take a systemic approach and build institutional capacity
- Seeking new partners both within government and outside, e.g. Ministry of Finance, World Bank, local universities
- Skills in communication and persuasion, i.e. advocacy directed to government (elected leaders and bureaucracy)
- Initiative to build relationships with local decision-makers, such as Bupati, for advocacy
- Ability to plan strategically for institutional change, e.g. developing exit strategy for pilot projects
- Willingness to learn about policy and legislative processes

With the above competencies, it is not surprising to observe that CO and FOs have engaged in different aspects of the policy process, as indicated below.

6.2 *Examples of UNICEF's policy-related work*

The following examples illustrate CO and FO involvement in policy-related work. Please note that these examples are not comprehensive, but are listed as samples of activities that contribute to policy analysis and advocacy. We traveled only to Central Java and Papua for this study. The examples reflect our observations from field visits and interviews with staff (though there are initiatives in other provinces), and the Annual Report.

Evidence and Analysis

- Coordinating district situation analysis of children and women in Aceh
- Developing database on medical records in selected districts (assessment on regional monitoring on mother and child health); to be launched at national level
- Analyzing age- and sex-disaggregated data for HIV/AIDS; analysis used a key resource for the National Strategy for Children, Youth, and HIV
- Collaborating with academics to produce study on poverty and gender in Papua and West Papua
- Commissioning analysis of national budget and budgeting process with national NGO (Civic Education and Budget Transparency Advocacy [CiBa])

¹⁷ This list is based on author's observations, self-reported findings, and discussions with FO and CO staff.

Advocacy

- Contributing to develop the national water and sanitation policy proposal
- Enabling policy diffusion--using laws made in one district to influence law-making in other district--in early childhood education (e.g. Central Java)
- Introducing guidelines for law enforcers on protection of children; guidelines adopted in line with international standards and national laws on child protection
- Building relationships with district and province parliamentarians to advocate for child-friendly policies
- Coordinating district officials in the planning process for water and sanitation
- Developing 'District Team Problem Solving' with government health officials to improve the planning of maternal health programs

Policy implementation

- Devising pilot project for early childhood education that include strategies for monitoring and exit in a reasonable time frame
- Assisting Ministry of National Education to develop monitoring and evaluation guidelines for the Education for All (EFA) programme
- Replicating across provinces a model of collaboration between midwives and civil registration officers to improve birth registration outcomes

The above activities contribute to strengthening the evidence base, planning process, content of policies and laws, diffusion of policies across regions, and follow-up of policy implementation through models and pilot projects.

However, much of the work is not documented or analyzed as such. Programme performance is not measured in terms of outcomes in the policy process, and neither is the local institutional and policy environment rigorously analyzed. For instance, in the 2007 Annual Report, "weak capacity of local officials" is mentioned as a challenge to achieving UNICEF's programme goals rather than an aspect of the local context.

6.3 *Measuring results of policy analysis and advocacy*

Measuring results in policy-related work requires taking a long term view, since policy reform and legislative change can take several years. It requires defining process indicators that show how UNICEF's work contributes to influencing the policy process, i.e. to influencing institutions and systems. It implies integrating results of analytical work with advocacy efforts, ensuring that evidence feeds into policy and budget decisions which are then ultimately implemented, all of which requires a time horizon that could stretch over several annual planning and budget cycles.

When interventions are designed to deliver services for beneficiaries, their results are measured in terms of social outcomes. But when programme strategy is defined in terms of influencing government budgets, laws, or the policy process, then its impact on beneficiaries may be indirect rather than direct and immediate. The initial results would be in the form of generation of new knowledge, changes in the content of policy and legislation, changes in resource allocations, and reform of institutional processes such that they prioritize children's rights.

UNICEF’s programme performance indicators are often not stated in terms of contributions to the policy process. In the 2007 Annual Report, sections on “constraints to performance” mentioned decentralization and low capacity of local government as obstacles to achieving the UNICEF programme goals. However, in Indonesia, the stated purpose of decentralization is to give decision-making authority to local governments, who have not previously exercised such authority. In this context, building their “inadequate capacity” is not a constraint but rather an unsurprising and necessary task in working through the transition to decentralized policy-making.

7 Conclusions

7.1 Strategic entry points

Drawing upon the above insights, there are several ways that UNICEF could build upon its experience and knowledge to develop a strategic approach to policy analysis and advocacy, as outlined in Table 8. Decentralization works differently in each sector, as do partnerships in technical areas. While each programme section and office would have more detailed and specific strategies, some partnerships would be common across the board. Examples of such partnerships, and observations from our discussions with UN agencies, development banks, and academics, are presented in Section 7.2.

Table 8. UNICEF: Building a strategic approach

Step in the policy process	Building a strategic approach: Points to consider and questions to ask	Partnerships
Analysis		
<ul style="list-style-type: none"> - Data quality - Developing and deepening evidence base - Generating debate through comparative study (national and international) - Setting research agenda 	<p>Sub-national level</p> <ul style="list-style-type: none"> - Strengthening information systems - Identify research questions, methods, and experts such that evidence will be credible and compelling - Consider type of analysis according to research issue: Scientific/technical, policy analysis, human rights/legal analysis? - Conduct local-level analysis to deepen understanding of local context, as well as regional comparative studies (e.g. across districts, across provinces) to place local situation in context and highlight disparities <p>Central level</p> <ul style="list-style-type: none"> - Technical support on research design - Tap into regional and international expertise and multi-country comparative studies to gain knowledge of methods and approaches, to place Indonesia in context, and to highlight disparities - Encourage systematic, long term research on children and women among national academic community; look beyond one-off analytic pieces - Set intellectual agenda, not only provide funds for research/analysis 	<p>For expertise</p> <ul style="list-style-type: none"> - Universities - National and international research institutes - Public advocacy NGOs - National statistics office - World Bank - UN partners working on information systems <p>For advocacy & capacity building</p> <ul style="list-style-type: none"> - Involve government sector offices (dinas) - Community groups - Parliamentarians

	- Analysis of technical policy questions can include institutional analysis, in order to better understand impact of policy and budget reforms on social development outcomes	
Advocacy		
<ul style="list-style-type: none"> - Raising awareness of need for evidence - Informing policy and budget decisions with evidence - Developing partnerships with decision-makers and advocates - Diffusing policy and law to other regions - Influencing national standards 	<p>Sub-national level</p> <ul style="list-style-type: none"> - Generate regard for data among decision-makers and technical officials in order for evidence to be considered in policy decisions - Identify where decisions are made and how (institutions and procedures) in order to build relationships with local decision-makers - Identify partners and local advocates who have leverage with local decision-makers - Use evidence to inform planning process; consider how to present evidence, to whom, and when - Use evidence to influence sectoral expenditure plans and budget allocations - not only the portion of the budget that concerns UNICEF's programme - Policy diffusion: Use experience of successful local policies and laws to influence other regions <p>Central level</p> <ul style="list-style-type: none"> - Locate opportunities to influence reforms, such as Minimum Service Standards and civil service reform - Use evidence to influence national standards and performance benchmarks, which in turn will determine sub-national fund allocations and service delivery outcomes - Identify partners who have leverage with decision-makers to enter national policy debates and reform efforts (such as World Bank for MTEF multi-year budgeting) - Policy diffusion: Bring in international experience of policy and law, and foster exchange of knowledge across regions 	<p>To influence policy & budget decisions</p> <ul style="list-style-type: none"> - Ministry of Finance - Central line ministries - Sector offices (dinas) - Bappenas and Bappeda - Bupati, Governor - Parliamentarians <p>To build network of advocates</p> <ul style="list-style-type: none"> - Cultivate network from above list - World Bank - UN partners: UNDP, UNFPA - National NGOs - Community groups - International policy institutes
Policy implementation		
	<ul style="list-style-type: none"> - Pilot projects: Begin with exit strategy already in place - Institutional change: Put in place system or process rather than lone project 	- As above

7.2 Partnerships

This section describes the perspectives of some of the key partners for UNICEF with respect to the policy process and its challenges in Indonesia.

7.2.1 World Bank

One of the key publications of the World Bank is the Public Expenditure Review (PER). The PER report typically “examines and explains the constraints facing the government in public resource management, especially in allocative and operational efficiency” (World Bank Indonesia PER, 2007). The 2007 PER for Indonesia included data for national and sub-national expenditures, and covered six areas: fiscal space, education, health, infrastructure, public financial management and decentralization. The PER reports are produced by a team of analysts, consultants, and senior economists. Besides the national PER, the World Bank has published PERs on the health sector, education sector, and is finalizing a district-level education sector report. It also has PERs on provinces, including Aceh, Nias, and Papua.

The Bank has a strong analytical team, and uses data from the Ministry of Finance. The Bank is working with Bappenas to implement a Medium Term Expenditure Framework, a multi-year rolling budgeting framework (discussed above in Section 5.3.4). The World Bank may in the future work on unit cost analysis or other costing studies, but they do not currently conduct such studies.

One insight from the Bank’s experience was that it was not enough to simply train government officials on planning and budgeting. Officials also need to know why the training was important. Currently budgeting is a cumbersome and complex process for local officials, and tends to get simplified in practice, so that budgets look uniform across districts.

The Bank has substantial capacity for such analysis, has established relationships with Bappenas and the MOF on budgeting, and is developing PERs in social sectors at the district level. It would be essential to build a relationship with the Bank on analysis, for example on the social welfare sector, and on analysis of district and province planning and budgeting in the social sectors.

7.2.2 UNFPA

UNFPA mentioned that they face similar questions as does UNICEF with respect to taking a greater policy orientation in their country programme. They have also been discussing their role in policy analysis and advocacy in their Mid Term Review.

One example of policy advocacy was their work on gender-based violence. They are in dialogue with the Parliamentarians Forum for Population Development for the amendment of current law on health and law on population (UU 20/1992 and 10/1992). These laws have not been changed since 1992. There is ongoing contention about some of their articles.

According to UNFPA, parliamentarians were getting better in terms of their capacity and awareness of issues. The general perception among NGOs also was that parliamentarians were positive on changing the health law but that the MOH posed problems. Among the issues that are being debated are abortion, and contraceptive services for adolescents. The proposed changes in the law would also affect MOH organizational structure. UNFPA do not focus their efforts entirely on the health and population laws, which have long hung in the balance.

Instead, another example of advocacy was to work at district and province level. District level governments often do not know what is in central level plans or policies. For example, UNFPA conducted an evaluation of the National Plan of Action on Trafficking, and found that district governments did not know that such a plan existed, but rather implemented what they could. There was no consistency across districts. Therefore, one way to work with district level and province level governments was to give them a menu of options when they constructed their plan.

The menu could help them decide what to put in, even though it was not entirely bottom-up planning.

They are also working with BPS and MOH to make data available and ensure that the data is used for planning at the district level.

UNFPA has experience with advocating with parliamentarians, and an interest and experience in data analysis and use of evidence on maternal health issues. There is potential for partnerships for data, analysis, and advocacy on maternal health issues.

7.2.3 UNDP

We met with the governance unit of UNDP. UNDP anticipates shifting the focus of their decentralization-related activities to the provincial level. This shift is a response to the greater emphasis that the government has placed on strengthening the role of the provincial government through Law 32/2004. Not enough technical regulations have been issued to implement this Law. The objectives of UNDP's program include strengthening the monitoring and supervision capacity of provincial government and civil service reform, and working directly on the policy and regulatory framework of decentralization.

In order to support the policy-making and budgeting process in the provinces, UNDP developed the first Provincial Human Development Report for Gorontalo province. The HDR provides the government with baseline data, helps set targets and construct the Human Development Index (HDI), and conduct other preparatory work for planning and budgeting. The HDIs were recently used in the Gorontalo provincial musrenbang. According to Regulation No. 6/2008 on performance evaluation of local government, the HDI is defined as one of the key parameters of the performance of a region.

UNDP is considering combining the province HDR with the World Bank. The Bank recently completed a public expenditure overview analysis report for Gorontalo.

UNDP does not work with central sectoral ministries, but rather with Bappenas and the Ministry of Law and Human Rights. UNDP are producing a national strategy on access to justice, legal aid to the poor, setting up a regulatory framework for district courts, and supporting local governments with drafting local regulations based on human rights.

A further partnership with UNDP could draw upon their experience with data collection and analysis, institutional strengthening, and supporting local laws based on human rights. Their perspective on the direction of the overall decentralization process and relationship with Bappenas would provide insights on regulatory developments.

7.2.4 Asian Development Bank (ADB)

We met with a social sector specialist at ADB. ADB does not have advisory projects with the government. The target of their projects is the district level, while the loan agreements are signed with central government. The ADB perspective was that the role of provincial governments is diminishing with greater implementation of decentralization, and the value-added by the province was not clear. It would take a number of years for district governments to develop capacity.

ADB together with the World Bank fund community block grants through the National Program for Community Empowerment (PNPM), a program for poverty reduction based on community-led basic infrastructure projects. Communities are provided technical assistance to help ensure

quality and appropriateness of the design of the civil works. One challenge is that social development issues, such as public health concerns, tend to be neglected in the design of rural infrastructure.

A relationship with ADB could be developed through the County Office, initiated at senior management level before technical sectors are involved, and could tap into ADB's broader experience with community participation in poverty reduction.

7.3 Developing staff capacity

7.3.1 Indicative competencies

As discussed above, staff need orientation and additional skills to engage in the policy process more systematically. Additional competencies would include, for example:

- Understanding the workings of government
- Regularly absorbing new analytical material; building knowledge
- Confidence in engaging in policy, law, or budget discussions with government officials and other partners
- Combining technical knowledge with the capacity to communicate with decision-makers; using evidence persuasively
- Negotiation skills, since planning and budgeting are political, not only technical processes
- Building partnerships with research institutions and development banks

Given that staff would have to take up some of these skills in addition to technical capacity in their sector, it is worth considering the advantages and disadvantages of employing a social policy officer, whose role would be to take up all of the above.

7.3.2 Advantages of having a social policy officer

A recent UNICEF vacancy posting defines the Chief of Social Policy, L5, as being responsible for "strategic guidance, analysis, articulation and programmatic advice on social policy as it relates to the rights of children and women in the country."¹⁸ Another vacancy posting said that the Social Policy Officer, L3, would be responsible for "providing inputs into and support to work in areas of social policy including identification and presentation of relevant international experience and best practice, support to project activities and support to the broader Country Programme of Cooperation on social policy."¹⁹

How applicable is either post in UNICEF Indonesia? The list below highlights some of the 'pros' or advantages of having a social policy officer, as well as some of the limitations.

Pros

- Understands how government processes work
- Skills in research design, data and policy analysis
- Knowledge of budgeting, public expenditure management, public finance etc.
- Familiar with World Bank and UNDP activities on decentralization

However, does this imply that the rest of staff throughout UNICEF CO and FOs would continue business as usual? While there is a distinct role for a social policy officer, it has to be considered in the context of Indonesia's decentralized policy process and the specific needs of each sector.

¹⁸ From UNICEF Vacancy Bulletin, Jul 2, 2008, post for Chief, Social Policy, L5, UNICEF Uganda Country Office.

¹⁹ From UNICEF Vacancy Bulletin, Dec 3, 2007, post for Social Policy Officer, L3, UNICEF Hanoi Country Office.

Consider some of the limitations or ‘cons’ of a social policy officer working on all policy-related activities:

Cons

- Cannot keep up with HIV/AIDS policy + water supply policy + juvenile justice policy + ...
- Decentralization works differently in each sector
- Cannot be present in all central line ministry or sub-national dinas planning meetings
- Cannot build relationship with each pokja (working group), Parliamentary commission, etc.
- May dilute technical input in analysis or advocacy efforts on specific sector policies

Clearly, the CO and FOs would need to develop capacity and actively engage in the policy process at different levels of government, at various stages of the process, and with new partnerships. At the same time, a well-defined set of social policy responsibilities could enable more strategic design of research, analysis, and advocacy.

The following examples of social policy efforts in other UNICEF country offices are instructive for the ways in which offices have responded to decentralization and the policy process. Though these countries have political and socioeconomic realities that are different from that of Indonesia, they illustrate policy-related activities in a range of contexts. The examples are taken from the UNICEF intranet²⁰:

- In Mozambique, UNICEF supported efforts to strengthen the linkage between national planning documents and budget allocations, which in turn led to the amendment of the Medium Term Expenditure Framework (MTEF) methodology to include provincial disaggregation.
- In the Philippines, UNICEF conducted a study to identify policy options and action points at both local and national level that would help increase public spending in support of the MDGs and children’s programmes. The aim was to increase local government revenues, raise local government spending levels by reducing “excessive” fiscal surpluses, and increase the share of social services, especially children’s programmes, in local government spending.
- In Macedonia, UNICEF supported local government with the decentralization process by providing direct assistance to municipalities in relation to children's care and meeting children's rights.
- For UNICEF Bolivia, the PRODELI programme reflects a change in the orientation of UNICEF assistance following the transfer of important areas of competence, funds, and decision-making authority from central to local governments. In addition to the traditional focus of providing services, UNICEF has taken a new focus centered on local capacity building, so that municipalities are better prepared to assume their new responsibilities in favor of children, adolescents, women, and indigenous peoples.

7.4 Conclusion

For UNICEF, policy advocacy involves a change of strategic approach and acquiring a measure of new skills and knowledge, not an overhaul of competencies. It seems practicable to orient existing staff, who already possess technical expertise and knowledge of the local situation of women and children, with the additional skills needed to develop new partnerships and engage in government policy and budget processes. While UNICEF CO and FOs demonstrate examples of

²⁰ Intranet pages: Blog “Eyes on the World” and webpage on Policy Advocacy and Partnerships for Children's Rights > Key Result Areas > Research and Policy Analysis > Decentralisation.

work in this direction, an overall strategy on policy analysis and advocacy could be more systematically designed for UNICEF in Indonesia.

Decentralization is an ongoing process of negotiation across levels of government. As in other countries, in Indonesia the division of functions and authority, planning and budgeting procedures, and national standards are being revised and refined. This report outlined the policy and budget process, highlighted its strategic importance and its challenges, and discussed the perspectives and expertise of relevant UNICEF partners. While the report presents entry points for UNICEF going forward, a detailed strategy would need to be elaborated according to the context of each social sector and sub-national situation.

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UNICEF Indonesia Annual Report 2006

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UNICEF Medium Term Strategic Plan, 2006-2009

Investing in children: the UNICEF contribution to poverty reduction and the Millennium Summit agenda, September 2005

Strategi nasional penanggulangan HIV-AIDS pada anak dan remaja 2007-2010 (National Strategy on HIV/Aids prevention for child and youth, 2007 – 2010)

National Plan of Action on combating the worst forms of child labour, eradicating commercial sexual exploitation of children, and eliminating trafficking in women and children

The National Programme for Indonesian children 2015 (PNBAI, 2004)

National Operational Strategy for Rural Sanitation and Hygiene Improvement in Indonesia, 2007

National Policy Development of Community-Based Water Supply and Environmental Sanitation, 2003, Developed by Bappenas, Ministry of Settlement and Regional Infrastructure, Ministry of Health, Ministry of Home Affairs, and Ministry of Finance

Health Development Plan Towards Healthy Indonesia 2010, Ministry of Health Republic of Indonesia, 1999

Rencana Strategis Kementerian Pemberdayaan Perempuan tahun 2005 – 2009 (Strategic Plan of State Ministry on Women's Empowerment 2005 - 2009), Jakarta, 2005

Strategic Plan on Social Welfare Development 2004 – 2009, Ministry of Social Affairs, Republic of Indonesia

Social Minister Regulation no.82/HUK/2005 on Organization and Working Mechanism, Ministry of Social Affairs

Laws and Regulations

Law no.18/2001 dated August 9, 2001 on Special Autonomy for the Province of Aceh Special Region as the Province of Nanggroe Aceh Darussalam

Law no. 21/2001 on Special Autonomy for the Papua Province

Law no.20/2003, dated July 8, 2003 on National Education System

Law no.25/2004, dated October 15, 2004, on National Development Planning System

Law no.32/2004 dated October 15, 2004, on The Regional Administration

Law no.33/2004 dated October 15, 2004, on Fiscal Balance between the National and the Sub National Governments

Government Regulation no.7/2005, dated January 19, 2005 on Mid-term National development Planning

Law no.17/2007, dated February 5, 2007, on Long-term National development Planning

Government Regulation no.38/2007, dated July 9, 2007 on Division of Government Functions: Central, Provinces, and Districts/cities

Law no.12/2008, dated April 28, 2008, on Second Revision (Amendment) on Law.32/2004 on the Regional Administration

Government Regulation no.6/2008, dated February 4, 2008 on An Evaluation Guidance on Regional Administration Tasks

Government Regulation no.7/2008, dated February 4, 2008 on Deconcentration and Assistance Task

Government Regulation no.8/2008, dated February 4, 2008 on Process, Mechanism, Monitoring and Evaluation on the Implementation of Regional Development Planning Deconcentration and Assistance Task

9 Annexures

Annex 1. Forms of decentralization²¹

Political decentralization: Aims to give citizens or their elected representatives more power in public decision-making, more influence in the formulation and implementation of policies.

Fiscal decentralization: Divides taxing and expenditure functions among different levels of government. Fiscal responsibilities of sub-national governments could include the authority to determine the tax rate and what type of taxes could be raised; the ability to run deficits and to borrow money; and the right to raise and determine user fees.

Administrative decentralization: Seeks to redistribute authority, responsibility and financial resources for providing public services among different levels of government. It is the transfer of responsibility for the planning, financing and management of certain public functions from the central government and its agencies to field units of government agencies, subordinate levels of government, semi-autonomous public authorities, or corporations.

There are three major forms of administrative decentralization:

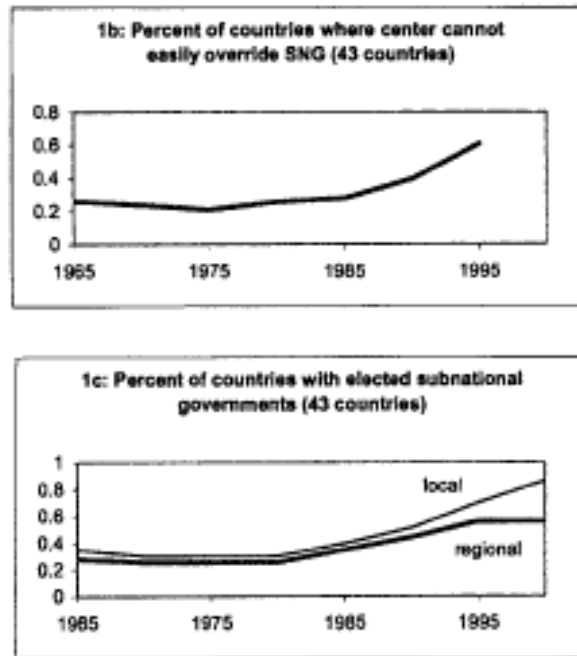
- **Deconcentration.** A weak form of decentralization. Redistributes decision making authority and financial and management responsibilities among different levels of the central government. It may merely shift responsibilities from central government officials in the capital city to those working in provinces or districts, or it can create strong local administrative capacity under the supervision of central government ministries.
- **Delegation.** Central governments transfer responsibility for decision-making and administration of public functions to semi-autonomous organizations not wholly controlled by the central government, but ultimately accountable to it. Examples of such organizations are housing authorities, transportation authorities, special service districts, and regional development corporations. Such organizations may be exempt from constraints on regular civil service personnel and may be able to charge users directly for services.
- **Devolution.** Devolution transfers responsibilities for services-- authority for decision-making, finance, and management--to districts or cities that elect their own political leaders (e.g. governors and mayors), raise their own revenues, and have independent authority to make investment decisions. In a devolved system, local governments have clear and legally recognized geographical boundaries over which they exercise authority and within which they perform public functions. It is this type of administrative decentralization that underlies most political decentralization.

²¹ Adapted from World Bank (2008a) website on decentralization; (Bankauskaite, Dubois, and Saltman, 2007)

Annex 2. International trends towards greater regional autonomy

The following illustration is from Rodden (2004). It shows a sample of 43 countries, which includes middle and high income countries. The percent of countries where the sub-national governments have gained greater autonomy has been rising since the 1980s, implying a continuous revision of laws and regulations.

Figure: Sample of countries with rising regional autonomy



Source: Rodden, 2004

Annex 3. Obligatory functions of province and district government: Law 32/2004

Responsibility of province	Responsibility of district/city
<ol style="list-style-type: none"> 1. Development planning and control; 2. Planning, utilization, and supervision of zoning; 3. Administering public order and peace; 4. Providing public means and facilities; 5. Handling of health sector; 6. Administering education and allocation of potential human resource; 7. Handling of social issues of inter districts/cities; 8. Serving manpower sector of inter districts/cities; 9. Facilitating the development of cooperatives, small and medium businesses including inter districts/cities; 10. Environmental control; 11. Agrarian services including inter districts/cities; 12. Demography and civil registry; 13. Serving government administration affairs; 14. Serving capital investment administration including inter districts/cities; 15. Running other basic services that have not been carried out by the districts/cities; and 16. Other mandatory affairs as instructed by the laws and regulations. 	<ol style="list-style-type: none"> 1. Development planning and supervision; 2. Planning, utilization, and supervision of zoning; 3. Administering public order and peace; 4. Providing public means and facilities; 5. Handling of health sector; 6. Administering education; 7. Handling of social issues; 8. Serving manpower sector; 9. Facilitating the development of cooperatives, small and medium businesses; 10. Environmental control; 11. Agrarian services; 12. Demography and civil registry; 13. Serving government administration affairs; 14. Serving capital investment administration; 15. Providing other basic services; and 16. Other mandatory affairs as instructed by the laws and regulations.

Source: Based on Law 32/2004

Annex 4. Medium and long term development planning process

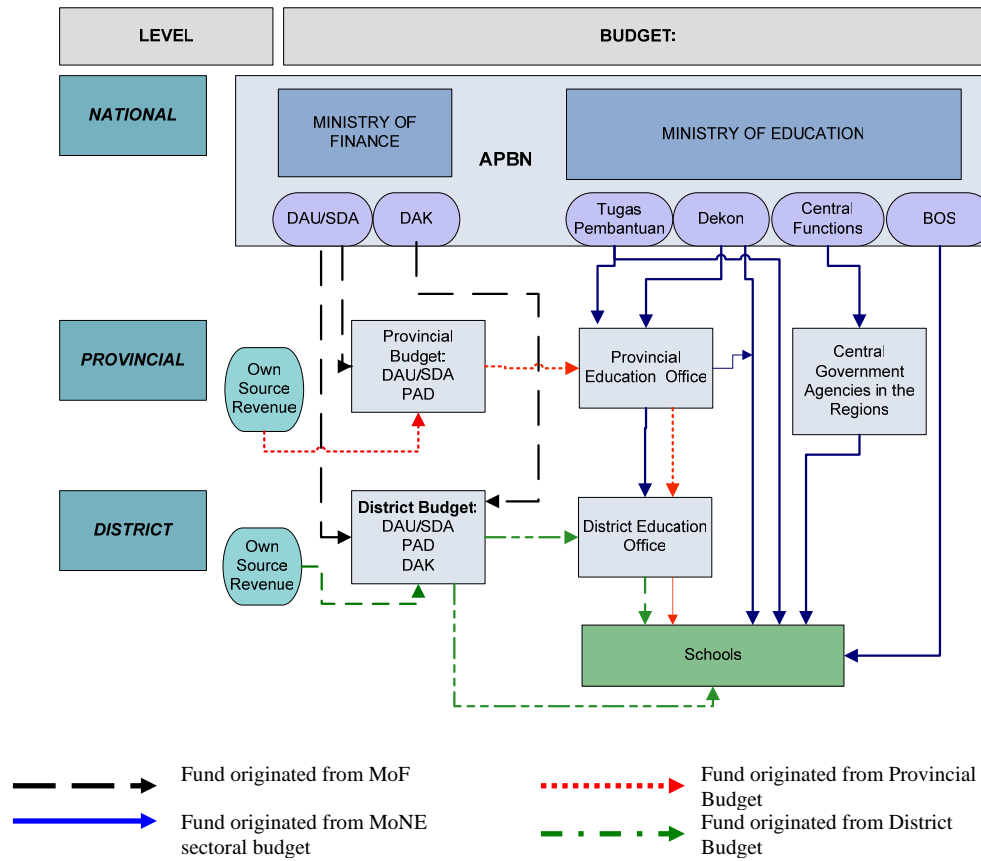
The following table is based on material provided by the UNICEF Country Office child protection section.

National			Sub-National		
Product	Content	Process/Steps	Product	Content	Process/steps
RPJP (Long Term National Development Plan) <i>Deliberated by National Law</i>	Visions, Missions, and directions of development	<ol style="list-style-type: none"> 1. Preparation of a draft of Development Plan 2. Public consultation (musrenbang) conducted by sectoral 3. Finalising Development Plan <i>Responsibility of the heads of line ministries</i>	RPJP-Daerah (Long Term Regional Development Plan) <i>Deliberated by Local Law</i>	Vision, mission, and direction of regional/local development. RPJP-D should refer to RPJP (Long Term National Development Plan)	<ol style="list-style-type: none"> 1. Preparation of a draft of Development Plan 2. Public consultation (musrenbang) conducted by Bappeda 3. Finalising Development Plan <i>Responsibility of the Head of Bappeda</i>
RPJM (Medium Term National Development Plan) <i>Deliberated by National Law</i>	Strategies, policy framework, agendas of sectoral offices and cross-sectors, also framework of macro economic	<ol style="list-style-type: none"> 1. Preparing a Draft of Development Plan 2. Preparing a draft of Workplan 3. Public consultation (musrenbang) facilitated by sectoral offices 4. Finalising Development Plan 	RPJM-Daerah (Medium Term Regional Development Plan) <i>Deliberated by Local Regulation</i>	The direction of local fiscal policy, development strategy; policy framework, programs of sectorals and cross-sectoral, and a plan of regulatory framework, and indicative budget. RPJM-D should refer to RPJP-D and consider to RPJP national	<ol style="list-style-type: none"> 1. Preparing a Draft of Development Plan 2. Preparing a draft of workplan 3. Public consultation (musrenbang) facilitated by Bappeda 4. Finalising Development Plan
RKP (Annual Work Plan) <i>Deliberated by Presidential Regulation</i> <i>RKP will be a source for developing APBN</i>	Priority programs, macro economic plan	<ol style="list-style-type: none"> 1. Preparing a Draft of Development Plan 2. Preparing a draft of Workplan 3. Public consultation (musrenbang) conducted by sectoral office 4. Finalising Development Plan 	RKP-Daerah (Annual Regional Work Plan) <i>Deliberated by Governor/Bupati Regulation</i> <i>RKP will be a source of developing APBD</i>	A plan of economic framework, priority programs, workplan and budget sources, from Govt as well as from public	<ol style="list-style-type: none"> 1. Preparing a Draft of Development Plan 2. Preparing a draft of workplan 3. Public consultation (musrenbang) conducted by Bappeda 4. Finalising Development Plan
Renstra KL	Vision, mission,		Renstra – SKPD	Vision, mission, objectives,	

<p>(strategic plan of sectoral offices)</p> <p>Deliberated by Ministerial Decree</p>	<p>objectives, strategies, policies, programs, and activities related to task/functions of each sector</p> <p>It should refer to R-RPJM National, indicatively</p>		<p>(Strategic plan of sectoral offices)</p> <p>Deliberated by Head Office Decree</p>	<p>strategies, policies, programs, and activities related to task/functions of each sector which are directly run by sector or stimulating community participation.</p> <p>It should refer to RPJM Local, still indicatively</p>	
<p>Renja KL (Sector Workplans)</p>	<p>Policies, program and activities which are directly run by sector or by stimulating community participation.</p> <p>It should refer to Restra KL and an indicative budget</p>		<p>Renja SKPD (Workplan of Sectoral offices)</p>	<p>Policies, program and activities which are directly run by sector or by stimulating community participation.</p> <p>It should refer to Renstra SKPD and an Indicative budget</p>	
<p>Institutional responsibility</p>	<ul style="list-style-type: none"> - President is responsible for the development of the country - President will be assisted by the heads of ministries - Heads of line ministries are responsible for planning of development 	<p>Governors as representatives of central government are responsible for coordinating the implementation for planning of deconcentration and assisted tasks. Governor is responsible for coordination, integration, synchronization, synergy for planning development cross districts/cities</p>	<ul style="list-style-type: none"> - Head of region is responsible for the development of the region - Head of region will be assisted by the head of Bappeda - Heads of sectoral offices are responsible for planning of development 		

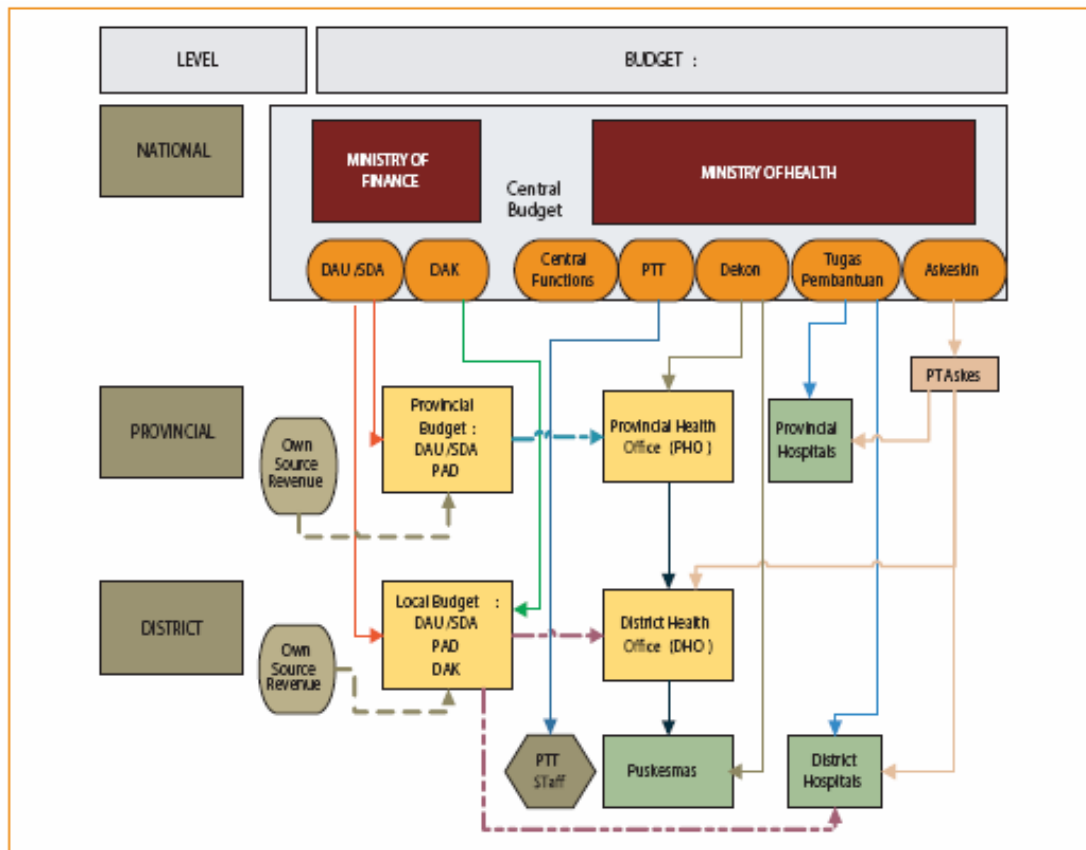
Annex 5. Flow of funds in the education and health sector

Figure A: Flow of funds in the education sector



Source: World Bank education district PER, 2008

Figure B: Flow of funds in the health sector



Source: World Bank Health PER, 2008