

## TECHNICAL ASSISTANCE COMPLETION REPORT<sup>1</sup>

Division :SEFM

TA No. Country and Name			Amount Approved: US\$500,000	
TA 4682-INO: Supporting an Effective Institutional Framework for Fiscal Decentralization Reforms			Revised Amount: N/A	
Executing Agency DG OTDA, Ministry of Home Affairs		Source of Funding TASF	Amount Undisbursed: US\$109,933	Amount Utilized: US\$390,067
TA Approval Date: 03 Nov 2005	TA Signing Date: 01 Nov 2006	Fielding of First Consultants: 1 December 2006	TA Completion Date Original: 31 Jan 2007 Actual: 31 Oct 2008	Account Closing Date Original: 31 Jan 2007 Actual: 27 Jan 2009
<p><b>Description</b></p> <p>The objective of the TA was to strengthen DPOD (Regional Autonomy Advisory Council) Secretariat's technical and analytic capacity for intergovernmental coordination so as to enhance policy, legal, and regulatory consistency on decentralization reforms, as DPOD has a wide mandate in analyzing proposed decentralization reforms. TA would assist develop DPOD as a vehicle for a more coordinated approach to decentralization issues by Ministry of Finance (MOF), Ministry of Home Affairs (MOHA), and other key ministries like Bappenas. Supported by a Secretariat, DPOD is a complex organization primarily made up of assigned staff from many and varied government agencies, who form the working groups and Technical Team (Tim Teknis). The membership also includes regional governors and mayors. The TA would support DPOD Technical Working Group – consisting of its three Task Forces on local government affairs, fiscal balance, and monitoring and evaluation of local government performance – by preparing technical studies supporting the need for reforms, developing frameworks for improving the efficiency and effectiveness of the DPOD Secretariat, holding workshops and seminars to disseminate findings, and building consensus among key stakeholders on the need for further reforms.</p> <p><b>Expected Impact, Outcome and Outputs</b></p> <p>The expected impact of the TA was to strengthen DPOD's capacity for intergovernmental coordination to enhance effectiveness of decentralization reforms. The expected outcome was to develop DPOD as an effective coordinator among the three ministries responsible for decentralization reforms. The outputs of the project addressed the three major areas outlined in the original TOR: (a) fiscal decentralization; (b) regional autonomy; and (c) capacity building. On fiscal decentralization sub tasks were: (i) non-quantitative methods for evaluating fiscal decentralization proposals; (ii) deconcentrated funding alternatives; (iii) inter-jurisdictional service delivery. On Regional Autonomy output was to analyze the multitude of issues surrounding <i>pemekaran</i>--rapid increase in the number of local governments—brainstorm the issue with stakeholders thru a workshop and present findings/ recommendations in a report. The third output was to prepare a capacity building plan for DPOD Secretariat after analyzing its strengths and weaknesses.</p> <p><b>Delivery of Inputs and Conduct of Activities</b></p> <p>Adequacy of Formulation: The initial formulation was designed for implementation under DG (Directorate General) for Regional Financial Management in MOHA. However, the government decided to change the EA to DG for Regional Autonomy in MOHA. This necessitated revisions in the TOR and work plan. As a result all tasks were updated so as to recruit consultants that were better aligned technically to the updated TOR.</p> <p>Performance of Consultants: Initial recruitment of consultants was delayed due to government decision to change the EA of the project. A firm was fielded as the consultant; its overall performance is assessed as satisfactory. The unsatisfactory performance of the original Team Leader and national Capacity Building Advisor prompted early replacements. Communication and interaction among the consultants, EA, and ADB noticeably improved after the change in the TA team leadership. Many of the Team's national consultants served a facilitation role between the project and other donor and government agencies. Other inputs that were provided for field assessments, workshops, and training courses were also used.</p> <p>Review Missions: ADB staff monitored the TA closely thru participation in meetings with the consulting team and the EA. ADB staff also participated in the final tripartite TA meeting held in December 2007. Inputs of the EA were mainly</p>				

<sup>1</sup> In preparing any country program or strategy, financing any project, or by making any designation of or reference to a particular territory or geographic area in this document, the Asian Development Bank does not intend to make any judgments as to the legal or other status of any territory or area.

in kind in the form of office space, furniture, office equipment and communications lines. Recipient inputs were initially inadequate with only a makeshift office space and no internet facility; they were improved later on. Overall recipient inputs are assessed as less than satisfactory.

Changes Made During Implementation: As set out above the government decided to change implementation arrangements by switching the EA from DG for Regional Financial Management to DG for Regional Autonomy in MOHA.

#### **Evaluation of Outputs and Achievement of Outcome**

The TA produced reports and presentation materials for all activities as scheduled and within the allocated budget. In terms of relevance and quality of outputs and EA satisfaction the project was successful but institution building was not truly achieved because of disconnect in how DPOD functions in practice as opposed to its mandate.

The study and workshop on fiscal decentralization outlined how to evaluate proposals using qualitative and analytical approaches without excessively relying on quantitative approaches using the proposed DAU (general allocation grant) formula changes as a case study. The deconcentrated funds like the DAK (specific allocation grant) have steadily increased in importance since the start of decentralization in 1999 but ministries hold different views as to how to proceed in reforming the utilization of these funds. TA held an introductory workshop highlighting key DAK issues participated by DPOD members and line ministries such as health and education. The decentralization laws provide for inter-jurisdictional service delivery; its importance has increased in the wake of increasing number of local governments. For economies of scale and improved service delivery Indonesia's local governments need to foster such cooperation. TA wrote a technical paper on this subject, worked with the DPOD Secretariat for a site visit to support information collection, and delivered a workshop on key recommendations.

TA worked closely with *Pemekaran* Working groups that have been created in many ministries and the Parliament (DPR) focusing on the technical and administrative evaluation of *pemekaran* applications. In addition, the TA worked on monitoring and evaluation (MONEV) when MOHA started preparing amendments to legislation on MONEV that touched on *pemekaran* issue. TA supported a workshop to deliberate on proposed changes in legislation on this issue. An exhaustive report was produced on capacity building for DPOD and recommendations were shared with a large group of DPOD stakeholders who discussed the findings and provided additional inputs and consensus for how best to move forward with strengthening of the organization. A plan of action was finalized in a subsequent workshop.

DPOD has an important role to play in strengthening decentralization reforms. This government body is tasked to bring together central and regional interests in a single, coordinated policy voice via the President's office to the DPR. However, DPOD's capacity to carry many of the identified issues forward seems limited. Despite providing relevant advice and technical inputs, institution building was not truly achieved due to lack of follow up by the EA in implementing recommendations of the TA and in furthering the organizations' mandate.

#### **Overall Assessment and Rating**

The TA is rated as partly successful on account of low scores on effectiveness and sustainability, though such scores stem largely from political equation in which the TA was functioning rather than anything inherently wrong with the TA design.

#### **Major Lessons**

Major lessons are: (i) the start up delays were because DPOD Secretariat had no prior experience in managing a donor-funded project; (ii) projects greatly benefit from a strong and active political champion as a counterpart; the government ownership and involvement throughout the project is critical to ensure success; the change in EA affected the project as the new EA initially had very little knowledge or direct interest in the TA and its implementation; (iii) any future projects with DPOD Secretariat should factor in the overall political viability of the DPOD. The Secretariat is only as effective as the influential ministries within DPOD allow it to be and that willingness is not apparent. Broader lessons regarding any follow up actions are: (a) the structural placement of DPOD within MOHA constrains cross-agency engagement and coordination; it needs to be relocated to an elevated office; (b) a higher office can mitigate against the current limited ministerial commitment and participation; (c) the regional member's contribution and knowledge on decentralization issues seems limited in scope; and (d) there is a perceived lack of independence of DPOD because of being attached to MOHA and is thus seen as a ministry and not a government vehicle.

#### **Recommendations and Follow-Up Actions**

There is a large need to provide assistance on technical issues coupled with more direct and active capacity building to the DPOD Secretariat staff but determining the political viability of such support is crucial. There is a need to explore policy options on the future status of DPOD so that it can be turned around into an effective inter-ministerial coordination body on decentralization reforms.