



Completion Report

Project Number: 35261-013
Loan Number: 1964
October 2012

Indonesia: Sustainable Capacity Building for Decentralization Project

Asian Development Bank

CURRENCY EQUIVALENTS

Currency Unit – rupiah (Rp)

		At Appraisal (14 November 2002)	At Project Completion (31 December 2011)
Rp1.00	=	\$0.00011	\$0.00011
\$1.00	=	Rp9,060	Rp9,075

ABBREVIATIONS

ADB	–	Asian Development Bank
APBD	–	<i>anggaran pendapatan dan belanja daerah</i> (local budget)
BAPPEDA	–	Badan Perencana Pembangunan Daerah (Regional Body for Planning and Development)
BAPPENAS	–	Badan Perencanaan Pembangunan Nasional (National Development Planning Agency)
BKD	–	Badan Kepegawaian Daerah (Regional State Apparatus Agency)
CB-AP	–	capacity-building action plan
CPMO	–	central project management office
CSC	–	consultant selection committee
DPRD	–	Dewan Perwakilan Rakyat Daerah (Regional Legislative Council)
GAP	–	gender action plan
ICT	–	information and communication technology
LAN	–	Lembaga Administrasi Negara (Institute of Public Administration)
MIS	–	management information system
MOHA	–	Ministry of Home Affairs
NCBF	–	National Capacity-Building Framework
NCBRB	–	National Capacity-Building Review Board
NRC	–	National Resource Center
O&M	–	operation and maintenance
PERDA	–	<i>peraturan daerah</i> (regional regulation)
PERPRES	–	<i>peraturan presiden</i> (presidential regulation)
PIU	–	project implementation unit
PKEKD	–	Peningkatan Kapasitas dan Evaluasi Kinerja Daerah (Regional Capacity Building and Performance Evaluation)
PPMO	–	provincial project management office
RCBRB	–	Regional Capacity-Building Review Board
RENSTRADA	–	<i>rencana strategis daerah</i> (regional strategic plan)
RRP	–	report and recommendation of the President
SCBD	–	Sustainable Capacity Building for Decentralization
SEKDA	–	<i>sekretaris daerah</i> (regional government secretary)
SK	–	<i>surat keputusan</i> (decree)
SKPD	–	<i>satuan kerja perangkat daerah</i> (regional work unit)
TA	–	technical assistance
TOT	–	training of trainers
TOTM	–	training of training managers

GLOSSARY

<i>bupati</i>	–	regent
<i>kabupaten</i>	–	district
<i>kota</i>	–	city
<i>propinsi</i>	–	province
<i>walikota</i>	–	mayor

NOTES

- (i) The fiscal year (FY) of the government and its agencies ends on 31 December. “FY” before a calendar year denotes the year in which the fiscal year ends, e.g., FY2010 ends on 31 December 2010.
- (ii) In this report, “\$” refers to US dollars.

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CONTENTS

	Page
BASIC DATA	i
MAP	vi
 I. PROJECT DESCRIPTION	 1
II. EVALUATION OF DESIGN AND IMPLEMENTATION	2
A. Relevance of Design and Formulation	2
B. Project Output	2
C. Project Cost	6
D. Disbursements	7
E. Project Schedule	7
F. Implementation Arrangements	8
G. Conditions and Covenants	9
H. Related Technical Assistance	9
I. Consultant Recruitment and Procurement	9
J. Performance of Consultants, Contractors, and Suppliers	10
K. Performance of the Borrower and the Executing Agency	10
L. Performance of the Asian Development Bank	11
III. EVALUATION OF PERFORMANCE	11
A. Relevance	11
B. Effectiveness in Achieving Outcome	11
C. Efficiency in Achieving Outcome and Output	12
D. Preliminary Assessment of Sustainability	12
E. Impact	12
IV. OVERALL ASSESSMENT AND RECOMMENDATIONS	14
A. Overall Assessment	14
B. Lessons	14
C. Recommendations	14

APPENDIXES

1	Project Logical Framework.....	16
2	List of Participating Regional Governments (Based on Batches).....	22
3	Completed Capacity-Building Action Plan Implementation Activities.....	23
4	Non-training Activities in the Capacity-Building Action Plan	25
5	List of Management Information Systems.....	26
6	List of Training Participants.....	28
7	Review of Gender Action Plan Implementation.....	32
8	List of Core Curriculum Courses	35
9	List of Core Training Courses and Certified Courses.....	36
10	Project Structure	37
11	Status of Compliance with Loan Covenants	38
12	Consultant Contract Dates and Contract Amounts	47
13	List of Recruited Service Providers	49
14	Results of the Performance Audit Survey and Customer Satisfaction Survey	50

BASIC DATA

A. Loan Identification

1.	Country	Indonesia
2.	Loan Number	1964
3.	Project Title	Sustainable Capacity Building for Decentralization
4.	Borrower	Republic of Indonesia
5.	Executing Agency	Ministry of Home Affairs
6.	Amount of Loan	
	- Original	SDR31,945,000
	- Net loan amount	SDR29,228,767
7.	Project Completion Report Number	INO 1351

B. Loan Data

1.	Appraisal	
	– Date Started	2 October 2002
	– Date Completed	11 October 2002
2.	Loan Negotiations	
	– Date Started	7 November 2002
	– Date Completed	8 November 2002
3.	Date of Board Approval	10 December 2002
4.	Date of Loan Agreement	31 July 2003
5.	Date of Loan Effectiveness	
	– In Loan Agreement	29 October 2003
	– Actual	5 September 2003
	– Number of Extensions	
6.	Closing Date	
	– In Loan Agreement	30 June 2009
	– Actual	31 December 2011
	– Number of Extensions	1
7.	Terms of Loan	
	– Interest Rate	1% per year during the grace period, 1.5% per year thereafter
	– Maturity (number of years)	32 years
	– Grace Period (number of years)	8 years

8. Disbursements
a. Dates

Initial Disbursement 2 February 2006	Final Disbursement 8 March 2012	Time Interval 73 months
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Effective Date 5 September 2003	Original Closing Date 30 June 2009	Time Interval 70 months
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b. Amount (SDR million)

Category or Subloan	Original Allocation	Last Revised Allocation	Amount Canceled ^a	Net Amount Available	Amount Disbursed	Undisbursed Balance
1 ICT	2.837	3.132	0.061	3.071	2.814	0.257
2A CB-AP Impl.	23.834	23.028	2.656	20.372	19.653	0.719
2B CB SP	0.953	3.794	0	3.794	2.477	1.317
3 Interest Charge	0.838	0.838	0	0.838	0.475	0.363
4 Unallocated	3.483	1.154	0	1.154	0	1.154
Total (SDR)	31.945	31.945	2.716	29.229	25.419	3.810
Total (equivalent in \$ million)	48.388	48.388	4.114	44.274	38.503	5.771

CB-AP Impl – Capacity-building action plan Implementation; CB SP – capacity-building for service providers; ICT - information and communication technology

^a Canceled on 6 September 2010.

9. Local Costs (Financed)	
- Amount (\$ million)	30.716
- Percentage of Local Costs	68.78
- Percentage of Total Cost	55.22

C. Project Data

1. Project Cost (\$ million)

Cost	Appraisal Estimate	Actual
Foreign Exchange Cost	15.113	10.966
Local Currency Cost	48.528	44.659
Total	63.641	55.625

2. Financing Plan (\$ million)

Cost	Appraisal Estimate	Actual
Implementation Costs		
Borrower-Financed	12.886	8.224
ADB-Financed	41.110	38.699
Government of the Netherlands	8.538	7.961
Subtotal	62.534	54.884
IDC Costs		
Borrower-Financed	0	0
ADB-Financed	1.107	0.741
Government of the Netherlands	0	0
Subtotal	1.107	0.741
TOTAL	63.641	55.625

ADB = Asian Development Bank, IDC = interest during construction.

3. Cost Breakdown, by Project Component (\$ million)

Component	Appraisal Estimate	Actual
1. Program Management and Coordination	7.634	12.316
2. CB-AP Implementation	50.361	38.745
3. Capacity Building for Service Providers	4.539	3.823
4. Interest during Construction	1.107	0.741
Total	63.641	55.625

CB-AP = capacity-building action plan.

4. Project Schedule

Item	Appraisal Estimate	Actual
MOHA		
Contract with consultants to Establish CPMO	Q3 2004	29 Nov 2005
Establishment of NCBRB	Q4 2003	
Detailed development of CB-AP generic model	Q3 2003	Q4 2003–Q4 2004
Development and installation of ICT program support	Q3 2003	Q1 2007
Maintenance of ICT program support	Q4 2003–end of project	Q1 2009–end of project
Local Governments and CB-AP Activities		
Establishment of PPCO in 8 provinces	Q4 2003	
Benchmarking of district governments	Q3 2003	
Preparation of CB-AP batch 1	Q3–Q4 2003	Q4 2003–Q3 2005
Development of ICT system batch 1	Q4 2003	
Implementation of CB-AP batch 1	Q1 2004–Q4 2006	Q1 2006–Q2 2010
Maintenance of ICT system batch 1	Q1 2004–end of project	
Preparation of CB-AP batch 2	Q1–Q2 2004	Q2 2004–Q3 2005
Development of ICT system batch 2	Q4 2004	
Implementation of CB-AP batch 2	Q1 2005–Q4 2007	
Maintenance of ICT system batch 2	Q1 2005–end of project	
Preparation of CB-AP batch 3	Q3–Q4 2004	Q2 2007–Q4 2009
Development of ICT system batch 3	Q4 2005	
Implementation of CB-AP batch 3	Q1 2006–Q4 2008	Q2 2010–Q4 2011
Maintenance of ICT system batch 3	Q1 2006–Q4 2008	
Establishment of provider database, and accreditation and certification system	Q1–Q2 2004	
Maintenance of provider database, and accreditation and certification system	Q3 2004–end of project	

Item	Appraisal Estimate	Actual
Institute of Public Administration		
Design and development of core and specialist training programs	Q3 2003	
Establishment of provider database, and accreditation and certification system	Q3 2003–Q1 2004	2008
Maintenance of provider database, and accreditation and certification system	Q2 2004–end of project	2008–end of project
Capacity-Building Service Providers		
National workshop for service providers	Q4 2003	
Provision of core curriculum for core training	Q3 2004–end of project	Q2 2007
Training-of-trainer courses for core curriculum	Q3 2004–end of project	Q2 2007
Revolving fund (pilot)	Q3 2003–Q4 2004	Canceled
Development and installation of regional database	Q4 2003–Q1 2004	
Government Training Institution (DIKLAT)		
Review of structural training courses	Q4 2003	
Formulation of an IDP for transition to core competency training	Q1 2004	

CBAP = capacity building action plan, CPMO = central project management office, DIKLAT = *pendidikan dan latihan* (training institution), ICT = information and communication technology, IDP = institutional development program, MOHA = Ministry of Home Affairs, NCBRB = National Capacity Building Review Board, PPCO = provincial project coordination office.

5. Project Performance Report Ratings

Implementation Period	Rating	
	Development Objectives	Implementation Progress
5 September 2003–31 December 2003	Highly satisfactory	Satisfactory
1 January 2004–31 December 2004	Highly satisfactory	Satisfactory
1 January 2005–31 December 2005	Satisfactory	Satisfactory
1 January 2006–31 December 2006	Satisfactory	Satisfactory
1 January 2007–31 December 2007	Satisfactory	Satisfactory
1 January 2008–31 December 2008	Satisfactory	Satisfactory
1 January 2009–31 December 2009	Satisfactory	Satisfactory
1 January 2010–31 December 2010	Satisfactory	Satisfactory
1 January 2011–31 December 2011 ^a	No specific rating	On track

^a Based on Project Administration Instruction (PAI) 5.08 which became effective on 24 January 2011. In the new PAI, impact and outcome are monitored through the eOperations design and monitoring (DMF) system without any rating, while project implementation status is rated against five performance indicators.

D. Data on Asian Development Bank Missions

Name of Mission	Date	No. of Persons	No. of Person-Days	Specialization of Members^a
Inception	20 Feb–7 Mar 2003	5	50	a, b, c, d, e
Review	2–14 Apr 2004	5	50	a, b, c, d, e
Review	11–21 Oct 2004	3	21	a, d, e
Review	19–26 Sep 2005	2	14	a, d
Review	15–23 May 2006	3	21	a, d, f
Review	16–30 Nov 2006	2	14	a, d
Review	4–15 Jun 2007	2	14	c, f
Review	26 Nov–17 Dec 2007	2	28	c, f
Review	23–30 May 2008	2	14	c, f
Review	6–21 Nov 2008	2	20	c, f
Review	19 May–29 Jun 2009	2	28	c, g
Review	5–30 Nov 2009	2	28	c, g
Review	7 Jun–16 Jul 2010	2	36	c, g
Review	10 Nov–17 Dec 2010	2	36	c, g
Review	1 Jun–15 Jul 2011	3	30	c, g, h
Review	1 Oct–2 Nov 2011	3	36	c, g, h
Project completion	3 Mar–14 Jun 2012	3	36	c, g, h

^a a = senior governance adviser, b = senior economist, c = senior project implementation officer/project officer, d = program officer, e = staff consultant, f = head of portfolio management, g = senior finance specialist, h = associate project analyst.

INDONESIA SUSTAINABLE CAPACITY BUILDING FOR DECENTRALIZATION PROJECT (as completed)



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I. PROJECT DESCRIPTION

1. At the time of appraisal, Indonesia was undergoing significant political and economic change, including decentralization reform.¹ Administrative, fiscal, and service delivery responsibilities were being shifted from the central government to the regional governments. Around two-thirds of central government staff, more than 16,000 service delivery facilities, and the management of more than 40% of all government expenditures were being transferred. Regional government expenditures almost doubled. However, the regional governments had little experience in decentralized functions, and limited capacity to provide good and effective governance.

2. The Sustainable Capacity Building for Decentralization (SCBD) Project² was designed to support the government's decentralization reforms and to assist the regional governments in improving their capacity by developing effective strategies for capacity building and providing adequate resources to implement those strategies. The project introduced an approach based on the development of capacity-building action plans (CB-APs) and their implementation by domestic capacity-building service providers supervised by the National Capacity Building Review Board (NCBRB).

3. The expected impact (goal) of the project was to increase the operating capability of the regional governments in (i) delivering services efficiently, in accordance with the minimum service standards; (ii) maintaining essential public facilities; (iii) promoting equitable economic development, and (iv) managing poverty reduction programs. The expected project outcomes (purposes) were: (i) to strengthen the key role of the Ministry of Home Affairs (MOHA) in monitoring, measuring, and supporting the development of institutional capacity within the regional governments, by institutionalizing an appropriate set of management tools for the effective deployment of the SCBD loan project; (ii) to put the draft National Capacity Building Framework (NCBF) in operation in the participating regional governments, and to support specific regional reforms and commitments concerning merit-based appointments, promotions, and training opportunities, and gender mainstreaming; (iii) to institutionalize a legally mandated process of action planning (CB-AP) to support sustainable capacity building within targeted regional governments; and (iv) to realize an efficient market for capacity-building services in targeted provinces that was cost competitive, of high quality, and offered an adequate product range. To achieve these outcomes, the project had three components: (i) CB-AP development and implementation; (ii) capacity building for service providers; and (iii) information and communication technology (ICT)-supported coordination, management, and standard setting. The project was expected to cover 38–40 regional governments.³

4. The Asian Development Bank (ADB) provided a loan of \$42.2 million equivalent from the Asian Development Fund, and the Government of the Netherlands provided parallel cofinancing in the form of an \$8.5 million grant to finance technical assistance (TA) consulting services⁴ to (i) help implement the project at the central level through the core consulting team, and in the districts through two field consulting teams; and (ii) carry out an independent financial and good

¹ Law 22/1999 on Regional Autonomy and Law 25/1999 on Fiscal Balance between the Central Government and the Regions, passed in May 1999, formalized the decentralization era. Law 32/2004 strengthened the decentralization policy by replacing the Law 22 / 1999.

² ADB. 2002. *Report and Recommendation of the President to the Board of Directors: Proposed Loan and Technical Assistance Grant to the Republic of Indonesia for Sustainable Capacity Building for Decentralization*. Manila.

³ The project locations comprised districts (*kabupaten*), cities (*kota*), and provinces (*provinsi*). The participating regional governments in the project will henceforth be called “regional governments” except where a distinction between administrative terms is required.

⁴ ADB. 2002. *Technical Assistance to the Republic of Indonesia for the Sustainable Capacity Building for Decentralization Project*. Manila (TA 4022-INO).

governance audit. Besides the project grant, the Government of the Netherlands provided a \$1.2 million TA grant for the development and implementation of a capacity-building monitoring system.⁵ The project was approved on 10 December 2002, and declared effective on 5 September 2003.

II. EVALUATION OF DESIGN AND IMPLEMENTATION

A. Relevance of Design and Formulation

5. The project was designed to support the government's national agenda for decentralization reforms, which was a high priority under the Guidelines for State Policy 1999–2004 (GBHN), the official expression of Indonesia's development strategy. The strategy was further defined in the government's medium-term development strategy, the National Development Plan (PROPENAS) 2000–2004, which was aligned with ADB's country strategy and program for Indonesia,⁶ focusing on good governance, regional autonomy, and public sector administration.

6. To prepare the decentralization process and capacity-building improvements in the regions, the government passed Presidential Decree 157/2000 establishing the central working team that would implement Laws 22/1999 (on regional autonomy) and 25/1999 (on fiscal balance). The team, supported by several donors including ADB, conducted a participatory assessment of needs in preparation for the implementation of decentralization in 2001. The NCBF, which resulted from the assessment in November 2002, (i) identified the key areas of capacity building; (ii) was specifically focused on participatory, demand-driven capacity-building programs; (iii) recommended eight policy clusters for government action and external support; and (iv) recommended systemic and institutional interventions, as well as interventions at the individual level.

7. ADB provided project preparatory technical assistance⁷ to support the strategies expressed in the NCBF and to assist the government in formulating the project. The project was specifically designed to address the following policy clusters in the NCBF, in line with the eight policy clusters for government action and external support identified in the NCBF: (i) regulatory framework, (ii) institutional reform measures, (iii) human resources management, (iv) regional financial management, (v) strengthening of civil society, (vi) participatory regional planning, (vii) local economic development, and (viii) better transition management. As conceived, therefore, the project was considered highly relevant at appraisal.

8. However, although the overall goal of the project was highly relevant to decentralization reform in Indonesia, the project formulation was overambitious, given the inadequate capacity of the newly autonomous local institutions involved in the project. Moreover, many implementation activities were overlapping and concurrent, and required coordination among the central and regional governments and the regional parliaments.

B. Project Output

9. The output expected from all three components of the project at appraisal is described briefly in the following paragraphs in relation to the output achieved at completion. An updated

⁵ ADB. 2002. *Technical Assistance to the Republic of Indonesia for a Monitoring System for Capacity Building*. Manila (TA 4023-INO).

⁶ ADB. 2002. *Country Strategy and Program: Indonesia, 2003–2005*. Manila.

⁷ ADB. 2002. *Technical Assistance to the Republic of Indonesia for Preparing the Local Government Capacity Building for Decentralization*. Manila (TA 3798-INO).

project logical framework, summarizing the project's goal, purpose, output, and performance targets, is in Appendix 1.

1. Development and Implementation of the Capacity-Building Action Plan

10. A CB-AP was required for the participation of regional governments in the project. The CB-AP was envisaged to be a medium-term action plan, with an annual action agenda and investment and recurrent budgets. The plan comprised a policy framework (capacity building policy, program strategy and planning, and performance targets) and mechanisms for institutional strengthening (organizational, legal, and regulatory environment for improved governance), human resources management (systems and methods), human resources development (training and development), financial management, budgeting, and planning for sustainability.

11. The expected output under this component was achieved. Using the CB-AP model prepared during the project preparatory TA, 46 regional governments—37 districts and cities, and 9 provinces⁸—developed individual CB-APs suited to their local priorities and conditions. As planned, CB-AP preparation was supported by a consulting team financed under the TA from the Netherlands government (footnote 4). Each regional government was able to develop its CB-AP in a participatory and demand-driven process, as expected in the project design, with all working units (SKPDs) and civil society organizations involved in the process. Of the 46 regional governments, 44 (37 districts and cities, and 7 provinces)⁹ implemented their CB-APs (Appendix 2) through the capacity-building service providers financed with the loan proceeds.

12. The project design required each participating regional government to integrate the CB-AP into its regional strategic plan (RENSTRADA),¹⁰ and legalize the integration through a regional government regulation (PERDA). Although the RENSTRADA time frame was 5 years (foreseen to fit in with the 5-year project period), coinciding with the 5-year term of the *bupati* (regent) or *walikota* (mayor), the possibility that RENSTRADA issuance might not match the timing of CB-AP preparation was not anticipated at the time of appraisal. Unable to integrate their CB-APs into the RENSTRADA because of this timing problem, most of the participating regional governments issued a decree and a joint statement of approval from the head of the local parliament and the *bupati* or *walikota*, in lieu of the required PERDA, and allocated recurrent annual budgets in their annual local budget (APBD), which was endorsed by the local parliament.

13. CB-AP implementation was envisaged in the report and recommendation of the President (RRP) to lead to meaningful benefits. The project's significant achievements (Appendix 3), some of which exceeded the expectations set by the project's logical framework (Appendix 1), were as follows:

- (i) The CB-AP structure (non-training component) is in Appendix 4. More than 130 regulations or decrees were issued, and more than 600 legal drafts are in the process of issuance, in the areas of policy framework, institutional strengthening, human resources development, finance, and budgeting.

⁸ On 13 February 2007, ADB approved a major change in scope to include the 10 provincial governments where the project's districts/cities were the participants. However, West Java province did not express interest in participating, Central Java withdrew from participation, and North Sumatra was dropped from consideration because of long delays in the selection of the service provider.

⁹ Central Java withdrew and North Sumatra was cancelled from participation. See footnote 9.

¹⁰ Since the passage of Law 32/2004, RENSTRADA has been changed to the regional medium-term development plan" (RPJMD).

- (ii) About 221 management information systems (MIS) were developed, and many of these are now operating. These systems fall under two functional categories: (a) internal management services (178 systems), such as budgeting and work planning, financial management, asset management, human resources management, and spatial planning; and (b) public service delivery (43 systems), such as one-stop services for business licensing, regional investment profile system, and poverty alleviation system. These systems are listed in Appendix 5.
- (iii) Short courses and training were provided to 87,908 staff—60,529 male (69%) and 27,379 female (31%). The list of courses and participants is in Appendix 6.

14. **Gender mainstreaming.** The project was expected to contribute significantly to improving women's participation in regional government. Gender mainstreaming conditionality was specifically included in the project loan covenant to support specific reforms and commitments in the regions concerning: (i) merit-based appointments and promotions, and (ii) training and other opportunities for women's advancement. The participating regional governments established gender mainstreaming guidelines and carried out gender mainstreaming training. The percentage of female civil servants continued to grow nationwide, from 40% of the 3.6 million civil servants in 2003 to 46% of 4.6 million in 2010. The percentage of women in structural positions, particularly in the higher echelons, also increased. However, the districts did not devote enough effort and time during project implementation to gathering sex-disaggregated data. This deficiency, compounded by the limited understanding of, and expertise in, gender issues within the project consulting team, contributed to the shortcomings of the gender action plan (GAP). Appendix 7 contains an assessment of GAP implementation and Appendix 6 provides detailed gender-disaggregated data.

2. Capacity Building of Service Providers

15. One of the project's purposes was to improve the capacity of domestic capacity-building service providers and to support the development of an efficient market in capacity-building services in the targeted regions that was cost competitive, of high quality, and offered an adequate range of products. To achieve this purpose, interventions involving the design of core curricula and outline courses for crosscutting core skills, training of trainers, and training of training managers were included in the project. Low-interest loans from a small revolving fund sourced from the Netherlands government's grant were also planned, to help wean the service providers from dependency on the public grant system for building their capacity, and introduce them to sustainable commercial funding for service improvements. However, the revolving-fund facility was canceled during project implementation because of low demand from the capacity-building service providers. The project was likewise designed to develop a nationally networked, regional system of accreditation and certification, and a database of providers, to support a paradigm shift in the provision of capacity-building services. Public sector training institutions used to provide most of those services. Now there would be a more diversified group of providers, including universities, nongovernment organizations, and private institutions.

16. **Curriculum development.** This output was achieved. Under the supervision of the National Institute of Public Administration (LAN), the project developed, pilot-tested, and implemented 24 core curriculum courses (Appendix 8) comprising 288 modules in the participating regions (Appendix 9). The modules were certified by LAN and MOHA, so that they could be formally used by capacity-building service providers. Beyond project expectations, some of the core curricula were institutionalized by MOHA Regulation 37/2008 for use as substantive technical training curricula in local government capacity building.

17. As is commonly done in curriculum development, the training modules would have to be updated regularly to be consistent with prevailing laws and regulations. However, this sustainability issue was not anticipated in the project design and implementation arrangements. During project implementation, Government Regulation 8/2003 on Local Government Structures, one of the main references in the development of the modules, was replaced by Government Regulation 41/2007. As a result, some of the modules were outdated by the time the project was completed.

18. **Training of trainers and managers.** This output was achieved. The project designed and implemented training of trainers (TOT) and training of training managers (TOTM) for service providers. The TOT was completed in seven batches. Of the 467 trainer candidates invited, 429 participated in the training and 388 of these were certified. TOTM was also completed; 147 training managers participated and were certified.

19. **Nationally networked database and accreditation system for capacity-building service providers.** A web-based system of accreditation was developed and installed at the end of 2008. As envisaged, the system was set up at LAN and implemented under the Head of LAN's Regulation 8/2007. The Head of LAN's Regulation 3/2008, which replaced the earlier regulation, required capacity-building service providers to seek accreditation as legal entities. The system has never been used, however, because service providers have no real incentive to apply for accreditation. At the moment, the budgeting system allows training to be provided only by in-house training centers through "self-managed" budgeting. Local budget support is needed to encourage private institutions to apply for permanent accreditation and open up the training market. The budgeting system should eventually accommodate an open, competitive market for training, particularly for technical skills training.

3. Information and Communication Technology–Supported Coordination, Management, and Standard Setting

20. This component was designed to support the coordination and management aspects of the project. It involved the establishment of (i) the National Capacity-Building Review Board (NCBRB) to coordinate capacity-building support for regional governments from central government agencies; and (ii) the National Resource Center (NRC) at the Institute of Public Administration (LAN). The NRC was designed to network with provincial centers, house a database of capacity-building service providers to regional government, provide forums for the exchange of essential information about capacity-building services between buyers and sellers of the services, and allow senior officials to exchange best-practice experiences. The following were to be developed under this component: (i) a web-networked regional system, nationally coordinated by LAN, to manage accreditation for short courses in core and specialist skills, and certification of trainers; (ii) archives of capacity-building best practice and publications; and (iii) a distance learning facility to support part-time and combination training. Each participating institution (MOHA, LAN, provincial and regional governments) was to receive an ICT package.

21. **National Capacity-Building Review Board.** The NCBRB was formally set up and chaired by the secretary general of MOHA under MOHA Decree 118-436/2002 and its revision, the Ministerial Decree 193.05-370/2006 (6 July). The NCBRB was thoughtfully conceived and constituted, but its all-embracing scope and reach was too ambitious. It has not functioned fully as intended, as an objective review board or as a vehicle for the development of working relationships between central government agencies and regional governments. During project implementation, the steering committee met only twice to discuss the overall effectiveness and achievements of the project. There are no plans to continue the NCBRB function after project completion. During the project, the central project management office (CPMO) under the

director for regional capacity and performance evaluation (PKEKD), who chaired the NCBRB's technical committee, actively performed the project management, coordination, and supervision roles.

22. **National Resource Center.** The NRC was set up at the LAN to facilitate the delivery of the expected output, both for component 1 (curriculum development, training of trainers and managers, and certification and accreditation system), and for component 2 (database of capacity-building providers, and information sharing and exchange). The ICT package supporting the NRC's functions was developed and installed. However, the NRC operated only until 2009, the project's original closing date, because no budget was allocated for operation and maintenance (O&M) and staffing beyond that date.

23. **Information and communication technology systems and network.** The initial group of 37 districts and cities and 10 provinces, the CPMO, the Training and Education Center of MOHA, and LAN received the ICT package. The package comprised the following: (i) a network operation center and local area networks; (ii) a web portal (internet); (iii) a monitoring application; (iv) an accreditation system for nongovernment providers of training (housed at LAN); (v) ICT training and workshop for system administrators and operator; and (vi) hardware (computers and printers). All ICT packages were fully procured and installed by November 2008. Various technical issues arose during project implementation. These issues included the following: (i) the subscription fees paid under the project for very small aperture terminal (VSAT) internet connection were valid only until December 2009 and the extension fees were considered prohibitive; (ii) the printers were high-end products with high O&M costs; and (iii) trained administrators and operators were unavailable because of staff transfers or promotions. To overcome these issues, the ICT packages were reactivated using the loan savings, with VSAT substituted to newly available and more economical option.

24. **Project coordination and management.** The CPMO played an important role in project coordination and management (Appendix 10). It was responsible for oversight and the day-to-day management of the project, with the support of the core team consultants at the central level, and the field teams at the regional level. The ICT package was intended to support project coordination and management. Although the ICT package was fully procured, the system utilization was suboptimal. The web-based network that was designed to upload, distribute, and exchange information between the central government and all participating regional governments also did not work as expected because of the technical issues brought out in the previous paragraph.

C. Project Cost

25. The total cost of the project at appraisal was about \$63.64 million equivalent, comprising \$15.11 million in foreign exchange costs and \$48.53 million in local currency costs. ADB provided a loan of \$42.22 million (SDR31,945,000) from the Asian Development Fund; the Government of the Netherlands, an \$8.54 million TA grant;¹¹ and the regional governments, \$12.89 million from local budgets (APBD). The Government of the Netherlands also provided a \$1.2 million TA for project implementation monitoring.¹² At appraisal, the ADB loan was intended to finance 66% of the total project cost, comprising 89% of the foreign exchange costs and 59%

¹¹ TA 4022-INO (footnote 4) to finance the core team, two field teams, and an independent financial and good governance audit.

¹² TA 4023-INO (footnote 5) to support the NCBRB in improving government implementation and monitoring capacity by establishing a monitoring and evaluation system for assessing the outcomes of capacity-building programs of regional governments.

of the local currency costs. The loan financing plan was amended in February 2007, during implementation, to accommodate minor funding reallocations, as follows: (i) the percentage of ADB's overall financing under each loan category was revised to 80% from 66%; (ii) the ADB loan would finance 38% of the foreign exchange costs and 64% of the local currency costs; and (iii) 10 other provincial governments were explicitly included in the project scope.

26. During project implementation, loan savings were generated from the lower-than-anticipated costs of service provider contracts for CB-AP implementation, which were estimated at 79% of project costs at appraisal against 69.95% at implementation. The savings were used and reallocated twice. The first reallocation in 2007 was to finance the participation of the additional 10 provinces, and the second in 2010 to support the rewards program for eight districts and cities under the first batch, which had implemented the CB-AP successfully. The loan savings were also used to reactivate the ICT package under the project coordination and management component. Additionally, the Netherlands government's decision not to extend its grant (TA 4022) in 2009 (para 36) necessitated the use of the loan amount to finance the services of the core team and field team consultants after grant closure. These factors increased the actual cost of project coordination and management to 22.14% of project costs, compared with 11.57% at appraisal.¹³

27. At the request of the borrower, the Indonesian government, loan savings amounting to \$4,114,332 (SDR2,716,233) were canceled in 2010, reducing the amount of the ADB loan to \$44,273,393 (SDR29,228,767). At project closure, \$5,379,366 (SDR3,810,089) was canceled from the unused loan proceeds. The total amount canceled as a result of cost savings was about \$9,853,699 (SDR6,526,322) (20%). The actual cost of the CB-AP component (based on the actual bids received) was lower than originally estimated in the RRP.

D. Disbursements

28. At the time of financial closure, \$39,439,594 (SDR25,418,678) of the total loan amount (86.96%) had been disbursed. Disbursements until June 2009 (the initial closing date of the loan) totaled only 24.57% because of the delays mentioned in para. 30, compared with the 25% estimated disbursement by 2004 in the disbursement schedule. Major disbursements in the extended period (2010 and 2011) brought the disbursement rate up to 54.42% by 31 December 2010 and 82.44% by 31 December 2011 (the closing date). This significant improvement was due to staff changes, both at the CPMO and ADB.

29. At the closing of the two Netherlands' TAs, \$8.12 million had been disbursed under TA grant 4022 (by 31 December 2009) and the balance of \$0.42 million refunded, and \$1.14 million had been disbursed under TA grant 4023 (by 30 June 2009) and the balance of \$0.06 million refunded.

E. Project Schedule

30. The project was declared effective on 5 September 2003 and was to be closed on 30 June 2009, after the originally scheduled 5.5 years of implementation. But the project experienced a series of delays after loan approval in December 2002, both at start-up and during implementation. These delays were due to several factors: (i) the project was not ready to be implemented partly because the readiness filter criteria were not yet in use; (ii) the

¹³ This additional expenditure was charged under Category 2B: "Capacity Building for Service Providers" due to unavailability of specific budget category for the project coordination and management.

preparatory work phase,¹⁴ which was expected to stretch throughout the first year (2003), was prolonged and was completed only in 2006; (iii) it took more time than expected to set up the project's implementation arrangements; and (iv) the loan agreement was amended to revise the allocation of the loan proceeds¹⁵ (para. 25). Delays were also caused by the nature of the project: the central and the regional governments lacked the minimum implementation capacity, and had limited understanding and ownership of the project and commitment to it. In addition to the inadequate capacity for procurement according to ADB's guidelines, the lengthy process of supplier selection by ADB also delayed project implementation. As a result, the loan closing date was extended for 30 months, to 31 December 2011. The decision to extend the closing date was made after a long internal debate, both in government and at ADB, which further delayed implementation.

31. Despite the delays, all components of the project were completed by the extended closing date of 31 December 2011. Financial and administrative closure for expenses incurred by 31 December 2011 was extended to 30 June 2012, to allow the settlement of final invoices. The project was financially closed on 7 August 2012.

F. Implementation Arrangements

32. MOHA, through its Directorate General for Regional Autonomy, was the project executing agency, and the head of the Regional Body for Planning and Development (BAPPEDA) or the regional government secretary (SEKDA) or the head of the Regional State Apparatus Agency (BKD) headed the project implementation unit (PIU) at the regional level. The project's steering committee was the NCBRB at the national level, and the RCBRB at the regional level. The project established a CPMO tasked with formal oversight and day-to-day project management; the PKEKD director was its project director. At the regional level, a provincial project management office (PPMO), headed by the project coordinator for the province, was to be set up.

33. The implementation arrangements were adequately designed. The executing agency (MOHA), the CPMO, and the PIUs were appropriately selected and the coordination mechanisms among the agencies were described in detail. However, despite the carefully designed and detailed implementation arrangements, the project and its implementation arrangements were complex by nature and overly ambitious. The project implementation arrangements involved several government agencies, at both the central and regional levels. Setting these up took more effort and time than expected. The time needed for preparatory work, with the high-level involvement of local governments (*walikota* or *bupati*) and local parliaments (DPRD) in CB-AP endorsement through a legally mandated process, was underestimated during concept design. The RCBRB and the PPMO were never established, and the NCBRB did not function as expected (para. 21). Procurement and disbursement were exceedingly protracted because PIU staff were not familiar with ADB procedures and because the procurement of consultants under the quality- and cost-based selection method was a lengthy process. Service providers were engaged as consultants to implement CB-AP. The Indonesia

¹⁴ The preparatory work entailed (i) the selection of the participating regions and approval by the MOHA minister; (ii) the development and approval of the CB-AP for each participating region; (iii) the approval of the CB-AP by NCBRB and the MOHA minister; (iv) the approval of the associated local budget by MOHA and respective local parliament; (v) the establishment of a consultant selection committee (CSC) in each region; (vi) the conduct of training and a workshop for the CSC; and (vii) the selection of consulting service providers to implement the CB-AP.

¹⁵ ADB approved the amendment of the loan agreement (schedule 3, loan proceeds allocation table) in February 2007.

Resident Mission, the CPMO, and the consulting team provided intensive support and intervention to push the project toward successful implementation.

G. Conditions and Covenants

34. The status of compliance with the loan covenants and assurances is summarized in Appendix 11. Most of the covenants were complied with, but schedule 6 of the loan agreement was only partially complied with. The RCBRB and the PPMO under the provincial project coordinator were not established because of the unavailability of funding at the regional level.

H. Related Technical Assistance

35. The advisory TA Monitoring System for Capacity Building (TA 4023-INO, footnote 5) was approved together with the project and implemented from 2003 to 2009. The TA was designed to achieve (i) an effective NCBRB governing the project, (ii) improvements in the implementation and monitoring capacity of regional government, and (iii) the establishment of a monitoring and evaluation system for assessing the measurable impact of the capacity-building activities of local government. The TA completion report, submitted in August 2010,¹⁶ rated the TA *unsuccessful*. The NCBRB had not been effective from the project's inception until the TA was completed; the monitoring function in the project was therefore significantly less than what was originally intended. The NCBRB's function as steering committee also did not materialize. Only the technical team, chaired by the project director, was active in the NCBRB. Despite the unsuccessful rating, it delivered a set of forms, guidelines, procedures, and reports for monitoring and evaluation purposes, particularly to improve the implementation monitoring capacity of the regional governments.

36. TA grant 4022-INO (footnote 4) was expected to support the consulting aspects of the project and the revolving fund component. The consulting component provided support to the CPMO and the participating regional governments, while the revolving fund component was canceled (para. 15). As designed, the project was to make use of consulting teams, as follows: (i) a core team to provide coordination and management support; (ii) teams of eight consultants to support CB-AP preparation, backstopping, and implementation monitoring; and (iii) an audit team to carry out an independent audit of the project three times during the project period. The consulting teams, particularly the core and field teams, provided significant strategic and operational support to the CPMO, supervising, monitoring, facilitating, and, until the extended loan closing date, accelerating CB-AP implementation, financial management, and disbursement. The performance of these consultants was *satisfactory*. When the TA was completed (31 December 2009) and the Government of the Netherlands no longer wished to extend the TA completion date, MOHA continued hiring these consultants, using the loan savings with ADB's approval, to avoid disruption in project operations.

37. Two field teams were recruited during implementation and were later consolidated into one field team (under one consulting firm contract) to simplify coordination. An independent audit was carried out only once, in 2010, instead of three times as planned.

I. Consultant Recruitment and Procurement

38. Service providers were recruited as consultants and goods were procured in accordance with the ADB Guidelines on the Use of Consultants and Procurement Guidelines as required

¹⁶ ADB. 2010. *Technical Assistance Completion Report: Monitoring System for Capacity Building*. Manila (TA 4023-INO).

under schedules 4 and 5 of the loan agreement. At appraisal, the number of contracts with service providers was estimated at 37 (the initial number of participating districts) and the estimated amount of inputs for each contract was 47 person-months (30 for the team leader and 17 for specialists). At completion, 44 contracts were awarded to cover additional participating provinces. Actual inputs for the team leader were adjusted depending on each contract period. The recruitment of service providers for CB-AP implementation was significantly delayed, because of the factors mentioned in para. 30 and irregularities identified during the selection process. Delays occurred particularly in the selection of consultants for the first and second batches, which took 2–3 years from shortlisting to mobilization. Besides the inadequate capacity of the local CSC and the central government, and the lengthy procedures involved in ADB's quality- and cost-based selection method, the decentralized nature of the project, requiring approval all the way from the local CSC, MOHA, and ADB's Indonesia Resident Mission to ADB's Central Operations Services Office, delayed the approval process. However, procurement for the third batch speeded up after a full-time procurement specialist was hired under TA 4022-INO (footnote 4) to support the CPMO. The consultant recruitment start dates and contracts awarded are listed in Appendix 12.

39. The procurement of ICT equipment, originally scheduled for 2004, was also severely delayed and was completed only at the end of 2008. The total amount contracted was almost fully disbursed (99.12%). After 2008, however, the implementation of the ICT package was beset by several issues, as outlined in para. 23, causing its suboptimal utilization. In 2011, with ADB's approval, the ICT package was reactivated and reinstated, using loan savings, to ensure full utilization of the equipment.

J. Performance of Consultants, Contractors, and Suppliers

40. The project recruited 27 domestic service providers as consultants for CB-AP implementation in the 44 participating regional governments. Think tanks based at local universities and local civil society organizations joined the service provider consortiums that were formed for each regional government. The performance of each consortium was *satisfactory* overall. The service providers that were recruited are listed in Appendix 13. The performance of the ICT package supplier was also *satisfactory*. All ICT packages were delivered.

K. Performance of the Borrower and the Executing Agency

41. Although the implementation of several activities was delayed, several covenants were complied with late, and project management and placement underwent several changes, the overall performance of the borrower and the executing agency, MOHA, is rated *satisfactory*. This multi-sector, multi-year, and multi-beneficiary project was implemented at the start of a major transformation in the country from a fully centralized to a fully decentralized system. Under such circumstances, the responsibilities of MOHA as executing agency, charged with project planning, implementation, financial control, information dissemination, and reporting, were very challenging. Despite the challenges, MOHA proved capable of handling many issues in central and regional government. The borrower and MOHA met all requirements for the submission of reports, including audited financial statements. The CPMO key management exerted extra effort to keep the project on track despite repeated changes in PIU staff in the regional governments.

L. Performance of the Asian Development Bank

42. The performance of ADB was *satisfactory*. Loan review missions were fielded regularly to supervise and monitor project implementation, despite changes in mission and team leadership. The mission members were committed to the project's objectives and provided timely guidance and support to MOHA. During their visits they systematically reviewed all activities and held regular meetings with the main stakeholders.

43. There were delays in ADB approval of consultant selection, and in consultant recruitment through quality- and cost-based selection (because of the lengthy process). Additionally, the portion of financing took longer to negotiate than expected. But as time passed, ADB's response improved, particularly during the recruitment of consultants for later batches in the participating regions.

III. EVALUATION OF PERFORMANCE

A. Relevance

44. The project was rated *highly relevant* during implementation and remained so at completion. ADB's country strategy and program at during the project implementation¹⁷ emphasized decentralization as a thematic concern, and continued to involve ADB operations that strengthened decentralization. The government continued to strengthen the quality of decentralization and reforms in regional autonomy, and included in its eight national development missions the government's vision of "a sovereign, advanced, just, and prosperous Indonesia," as addressed in the country's Long Term Development Plan (RPJP) 2005–2025. The government's Medium Term Development Plan (RPJMN) 2010–2014 further underscores regional autonomy as part of reform of the bureaucracy, the top national priority.

45. Following direct experience gained through the project, the government adopted the NCBF through Presidential Regulation (PERPRES) 59/2012. Under the regulation, each regional government is required to conduct capacity building to improve its performance in carrying out its responsibility within the region. Three levels of intervention introduced in the NCBF—systems, institutions, and individuals—were adopted to secure sustainability. The regulation also fully adopts the project's participatory and demand-driven approach to capacity-building action planning. It affirms the high degree of relevance of capacity building at the regional level (provincial and districts) to the current need to improve overall public service delivery, to achieve and maintain minimum service standards, and to replicate the CB-AP model in other regions, particularly the newly autonomous regions.

B. Effectiveness in Achieving Outcome

46. The project is rated *effective*. Although not all of the planned outputs were achieved, the project achieved its overall outcome and most of the outputs specified in the logical framework. CB-AP development and implementation, the project's landmark achievement, was arrived at through participatory planning, which, at the same time, enhanced the capacity of the regional government apparatus, service providers, universities, and local think tanks for capacity-building action planning. Regional governments have proved themselves capable in formulating and implementing CB-APs, confirming the effectiveness of the project.

¹⁷ ADB. 2006. *Country Strategy and Program: Indonesia, 2006–2009*. Manila.

C. Efficiency in Achieving Outcome and Outputs

47. Project implementation was characterized by long delays, and had to be extended for an additional 1.5 years, nearly undermining its efficiency. However, project implementation improved during the extension period, and most of the activities were completed. The project was able to achieve the expected outcome and outputs within the agreed costs, and even with savings of about 20%. The savings, generated from lower-than-estimated prices, were used to include the seven provinces among the recipients of support from the project, and also to finance the fourth and fifth years of CB-AP implementation in selected districts and cities in the first batch, which was considered successful. The project is therefore rated *efficient*.

D. Preliminary Assessment of Sustainability

48. Overall, the project outcomes are rated *likely to be sustainable*, for the following reasons:

- (i) The implementation of the CB-APs has generated local regulations (PERDA, SK Bupati and SK Walikota [regent's and mayor's decrees]), manuals, and MIS. These products are in operation, and have been institutionalized and integrated into the day-to-day management of the regional governments.
- (ii) The project's approach to the development and implementation of CB-APs for sustainable capacity building has been adopted and institutionalized through Presidential Regulation (PERPRES) 59/2012. Regional governments are mandated to develop and implement demand-driven and participatory CB-APs and to provide an annual budget for this purpose from local state budgets (APBD). The PERPRES is built on the implementation of the project and lessons drawn from it, and provides a strong basis for capacity-building action planning and budgeting by the regional governments. This achievement of the project will ensure sustainable capacity building and the delivery of good public services by the regional governments.

49. The ICT packages are *less likely to be sustainable* unless the beneficiaries recognize the benefits of using the ICT packages and provide an adequate annual budget for their operation, maintenance, and updating, and for the services of support staff. Over-specification (of printer features) and expensive internet connections (for VSAT) pushed costs beyond the beneficiaries' ability to pay and reduced the sustainability of this component. But the restructuring of specifications during the reactivation of the ICT component in 2011 increased the likelihood of sustainability.

E. Impact

50. The overall impact of the project is *positive and significant*. Surveys before the project (2006) and after the project (2009) by the participating regional governments¹⁸ confirmed the expected project impact, as demonstrated by the improved performance of the regional governments in public service delivery (Appendix 14).

51. Many participating regional governments improved their operating capability, among others, by using the modernized MIS introduced during CB-AP implementation. In the long run, the improvements will lead to less poverty, and a better local economy and social development. The following examples show the major impact of the project:

¹⁸ Each participating regional government carried out two types of pre and post survey, i.e. performance audit and customer satisfaction surveys.

- (i) **Use of management information systems in the poverty alleviation management system (SIMTASKIN) in Sleman district.** With support from the project, the district introduced an integrated system for managing its poverty alleviation program. The system contains data on poor families within the Sleman geographic region, organized by name. Each name is associated with details on the actual conditions of the families—number of families, livelihoods, housing, and environmental conditions. The information is accessible to the public. The system is designed to support decision making, including the planning and implementation of effective interventions to improve the livelihood of poor families. Together with accurate data and information on poor families (by name and address), Sleman district provides, among others, free access to health services at the local hospital, free basic education and university scholarships, and housing support. This system has been declared the most comprehensive and informative poverty alleviation management system in the country, and has been replicated in several other regions, particularly by recipients of the national independent poverty alleviation program (PNPM).
- (ii) **One-stop service for business licensing.** This application is being implemented in several participating regional governments, but most notably in Medan city, Ogan Komering Ilir (OKI) district, Kediri city, and Sleman district. The system is an online integrated system operated by a single unit for registering and obtaining business licenses. With the system, applicants can easily track the status of their applications and get information about procedures, fees, and expected processing time. The system has increased the level of service and reduced petty corruption as it minimizes the physical interface between applicants and government officials. OKI district received an award for the system from the national Capital Investment Coordination Board (BKPM) in 2011. The system also helps the regional government monitor the revenues derived from the payment of fees in real time, thereby strengthening transparency and accountability and improving investor confidence in the long run.
- (iii) **E-government application.** Sragen district introduced an ICT system as governance backbone through the so-called “cyber regency,” or e-government. The ICT system has been institutionalized to fully support the government in planning, execution, and monitoring. The ICT support received under the project was integrated into the district’s grand design and used to trigger broader ICT implementation: (a) automated work flow in all work units within the regency; (b) financial management information system; (c) human resources, salary, and benefits management system; (d) asset management; (e) resident identification management; (f) legal and regulatory information system; (g) e-procurement; and (h) one-stop services for licensing. Sragen district also uses closed-circuit television in strategic locations to monitor traffic and reduce street crime.

52. The project had significant positive impact on women. It systematically promoted gender mainstreaming in the participating regional governments, many of which have established dedicated work units responsible for women’s empowerment. In addition, the number of women holding higher structural positions in regional government has increased. Appendix 7 shows the results of GAP implementation.

53. The project influenced government policy on the need for capacity-building action planning. The government has institutionalized the action planning process introduced by the project through a presidential regulation, which mandates the use of the CB-AP as the standard model for capacity-building practice in the regions. CB-AP replication in other regions could learn and benefit from the evidence-based experience under the project.

IV. OVERALL ASSESSMENT AND RECOMMENDATIONS

A. Overall Assessment

54. Overall, the project is rated *successful*. This assessment is based on the individual assessments of the project's relevance, effectiveness, efficiency, and sustainability. The project was implemented in accordance with the RRP and achieved its principal objective of improving the operating capability of the participating local governments, with positive impact as conceived. All project indicators and targets were achieved. The project was innovative in introducing multi-sectoral capacity-building action planning and implementing the plans at the right stage of Indonesia's decentralization reform.

55. Beyond the project's expectations when measured against the project logical framework, the MIS introduced during CB-AP implementation are in operation, have the potential for replication¹⁹ in other regions, and have received awards²⁰ from the central government.

B. Lessons

56. The project produced major insights into capacity building for regional government interventions, to be considered in the design of future projects: (i) securing the commitment, ownership, and understanding of the project's stakeholders at central, provincial, and district or city levels is key to ensuring smooth implementation and to meeting sustainability and institutionalization objectives; (ii) the introduction of ICT in regional government management has helped modernize business processes and made regional government more transparent and accountable; (iii) the project produced a number of best practices to be replicated in other regions; (iv) a project with complex design and implementation arrangements at an early stage of decentralization reform is risky and may lead to delays because of the lack of experience and capacity of the newly autonomous regions and central governments in setting up the implementation arrangements; and (v) high-end technology products with over-specified features would not be recommended for regional governments because the O&M expenses would be unaffordable and sustainability would not be secured.

C. Recommendations

1. Project-Related

57. **Future monitoring.** MOHA should continue to monitor CB-AP implementation funded by the regional governments.

58. **Further action or follow-up.** To achieve sustainability objectives, the regional governments should take the following actions: (i) provide a sufficient O&M budget and capable staffing for MIS utilization, and (ii) pass draft regulations. With regard to the continuation of the core curricula designed under the project, LAN and the training agency of MOHA should discuss the strategy for sustainability, including the regular updating and improvement of these courses and their permanent certification. LAN should facilitate the involvement of other related technical departments in handing over these curricula.

¹⁹ Sragen and Sleman districts, two of the project's participating regions, have been visited by officials from other regions and have called for assistance to other regions in the replication of their systems. .

²⁰ Sragen district received the Indonesia Information and Communication Technology Award in 2010 from the Minister of Information and Communication. Ogan Komering Ilir (OKI) regency received the 2011 award from BKPM (Investment Coordinating Board).

59. **Additional assistance.** Improving regional government capacity remains a strategic priority in ADB's current country partnership strategy for Indonesia.²¹ The project's CB-AP approach can be replicated in other regions, particularly in newly created regional governments with limited resources and experience. Future assistance in action planning and budgeting should focus on specific sectors. MIS development supported by specific training is recommended, to improve the efficiency of regional government. Design and implementation arrangements should be simplified.

60. **Timing of the project performance evaluation report.** An evaluation exercise should be carried out no earlier than 2 years after project completion to capture the complete impact of the project interventions and their sustainability.

2. General

61. Lengthy consultant selection and procurement procedures undermined the effectiveness and efficiency of the project. The project would have been more effective had ADB anticipated at the design stage the flow of the procurement documents—from the local government to the CPMO, and further to the ADB resident mission and ADB headquarters—and paid closer attention to the capacity constraints of the MOHA and the newly autonomous regions as the implementing units. Given the nature of a decentralization project involving several layers of authority, and ADB's lengthy procurement procedures, ADB should consider delegating authority to resident missions, especially in consultant recruitment. The use of country systems should also be considered, to speed up implementation. At the start of decentralization projects, ADB should anticipate the need for a management consultant with thorough training in ADB policies and procedures related to consultant selection, procurement, disbursement, anticorruption management, and safeguards, and make provisions for the participation of such a consultant in project implementation.

62. CB-AP implementation has produced best practices, particularly in the application of MIS, with potential for replication in other regions. The central government should establish a knowledge management center, where the MIS are well documented.

63. As new regions proliferate, demand for capacity building will be high. It is important to institutionalize capacity-building action planning and budgeting using the project's CB-AP approach. This approach has been institutionalized through the new Presidential Regulation (PERPRES) 59/2012. The concept of NRC as developed under the project should be reinstated as it is highly relevant in the context of the new PERPRES, which requires the regional governments to conduct capacity-building action planning. The NRC will provide a database of qualified capacity-building service providers, and hold forums where regional governments and service providers can exchange information and experiences in best practices. Furthermore, the concept of NCBRB should also be continued in a simplified unit within the MOHA's Directorate of Capacity Building and Performance Evaluation (PKEKD) tasked with coordinating capacity building for regional government.

64. The core modules designed under the project should be updated to conform to new laws and regulations, and integrated into the LAN modules.

²¹ ADB. 2012. *Country Partnership Strategy: Indonesia, 2012–2014*. Manila.

Project Logical Framework

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks	Achievements
A. Goals Regional governments with measurably increased operational capability to: (i) deliver public services efficiently in accordance with established minimum service standards ^a ; (ii) maintain essential public facilities; (iii) promote economic development; and (iv) manage poverty reduction programs	Participating regional governments meet performance benchmarks for operating capability and minimum service standards.	CB-APs will define benchmarks for monitoring operating capacity. Overall performance will also be gauged by the attainment of minimum standards (in development) through support for projects, both GOI in-house and donor supported.	Assumption The government's new system of minimum service standards will be operational in time for benchmarking of regional governments and assessment of annual changes in performance. Risk If civil service reform measures fail to be undertaken, performance may be severely affected.	Minimum service Standards (MSS) have been legalized via PP65 of 2005 and MOHA decree has been issued to guide implementation. CB-AP included benchmarks for monitoring operating capacity through performance audit surveys and customer satisfaction surveys concerning the public and business community to establish benchmarks and staged targets. Ministry of State Apparatus Empowerment (MENPAN) issued "Civil Service Reform."
B. Purpose 1. To underpin the key role of the Ministry of Home Affairs in monitoring, measuring, and supporting the development of institutional capacity within regional governments, via the institutionalization of an appropriate set of management tools to deploy the SCBD Loan project effectively	Establishment of loan management systems, including steering committee, organizing committee, working groups, and CPMO and PPCO	Counterpart DIPA funds allocated	Assumption Essential inter-ministerial cooperation	CPMO was established in the Directorate of PKEKD, DG of Regional Autonomy. The Directorate of Capacity Building and Performance Evaluation within MOHA was set up to deal with local government capacity building and was the formal counterpart of the SCBD project.
2. To operationalize the draft National Capacity-Building Framework (NCBF) in participating regional governments To support specific reforms and commitments at the regional level concerning: <ul style="list-style-type: none"> – Merit-based appointments, promotions, and training opportunities 	KEPMEN issued and NCBF policies and specific requirements incorporated in CB-AP of participating regional governments and enshrined in RENSTRA and PROPEDA	Published RENSTRA and PROPEDA in 30 participating regional governments	Assumptions Draft is finalized and agreed on, and KEPMEN is issued. Regional governments agree to specific reforms and commitments. Risk Implementation timetable slips and regional governments fail to cooperate, citing inadequate consultation.	The NCBF has been adopted and institutionalized via PERPRES 52/2012 mandating regional governments to carry out capacity-building action planning. Government has also introduced new laws and regulations updating the human resources system through bureaucracy reforms reflecting a merit-based system, including a shift .

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks	Achievements
<ul style="list-style-type: none"> Gender mainstreaming 				<p>from structural to functional positions within the decentralized legal environment of UU32 and 33/04. Most participating local governments now have a division or section responsible for gender equality. Participating local governments have incorporated gender mainstreaming into their CB-APs and specific gender equality subcomponents. Implementation programs contained in each CB-AP contractor's inception report are monitored for compliance with gender equity commitments.</p>
<p>3. To institutionalize a legally mandated process of action planning (CB-AP) to support sustainable capacity building within targeted regional governments</p>	<p>CB-AP legalized through RENSTRA in 30 regional governments (14 in year 2, 12 in year 3, and another 12 in year 4)</p>	<p>PERDA issued and RENSTRADA published in 30 participating regional governments</p>	<p>Assumption Adequate numbers of regional governments achieve qualifying status in terms of "readiness" for each batch of about 10 (policies, plans, and systems)</p>	<p>In lieu of PERDA, participating regional governments issued a decree and joint statement of approval with the local parliament regarding participation in the project and the development and implementation of CB-APs, thus provide recurrent annual budgets for CB-AP implementation.</p>
<p>4. To realize an efficient market in capacity-building services (cost-competitive, high-quality, adequate product range) in targeted provinces</p>	<p>At least 50 qualified CB providers (average 5 per province prequalified and supported) able to deliver specified services in required volumes and to prescribed standards</p>	<p>Service provider database records concerning: (i) short-course certification; (ii) institutional products and systems; and (iii) evaluations and assessments</p>	<p>Assumption A transparent and equitable system is achieved and recognized by both buyers and sellers of CB services.</p>	<p>Completed. More than 50 qualified providers prequalified.</p>

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks	Achievements
C. Output				
C.1: To institutionalize a legally mandated process of action planning (CB-AP) to support sustainable capacity building within targeted regional governments (B.3 above)				
Year 1				
National Capacity Building Action Plan Review Board formed and operational	KEPMEN issued, secretariat established in CPMO, and first board meeting held	Quarterly progress reports Loan review missions	Risk MOHA institutional resistance to the formation of an independent board	Completed
Prequalification of around 14 regional governments for first-phase capacity-building action plan assistance	Submission by regional governments for assistance to prepare a CB-AP approved by review board		Risk Regional governments reluctant to enter into program with grant funds controlled by governor through Dana Dekonsentrasi	Completed
24 (12 batch 2 and 12 batch 3) regional governments identified for backstopping support to facilitate entry into program in second and third phases	24 regional governments subscribe to backstopping program commitments		Assumption Regional governments understand and accept necessity of meeting minimum standards of preparedness before CB-AP funding becomes available.	Completed
Years 2–6				
Provincial capacity-building action plan review boards formed and operational	SK Governor issued, secretariat established in BAPPEDA Propinsi, and first board meeting held	Quarterly progress reports Loan review missions CB-AP status and implementation - process of annual review by CPMO based on regional government audit	Risk MOHA institutional resistance to the formation of an independent board	Not completed
Year 2: CB-APs for 14 batch 1 regional governments submitted to national review board and approved Year 3: CB-APs for 12 batch 2 regional governments submitted to national review board and approved Year 4: CB-APs for 12 batch 3 regional governments submitted to national review board and approved	Loan funds approval documentation issued to enable disbursement PERDA on 38 CB-APs approved and supporting funding (APBD) incorporated in following year's RAKORBANG for first-year funding Annual audit of CB-AP through REPETADA	CB-AP subcomponent packages - contract completion and final payments to providers	Assumption Process requires efficient facilitation at regional level to prepare high-quality CB-AP documentation Risk Unwillingness of districts to participate on loan terms	All 14 batch 1 districts completed the implementation of their CB-APs and finalized their final reports. All 23 regional governments participating in batch 2 are currently implementing their CB-APs. Because of delays in the procurement process, the participating districts have to compress the CB-AP implementation to less than the originally scheduled 36 months. 7 provincial governments in batch 3. Their CB-APs were approved and are being implemented.

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks	Achievements
Years 2, 3, and 4: Each batch of CB-APs annexed to RENSTRA and approved by DPRD			Risk DPRD does not approve counterpart funding and supporting investment.	Completed
C.2: To realize an efficient market in capacity-building services (cost-competitive, high-quality, adequate product range) in targeted provinces (B.4 above)				
Year 1				
Core curricula developed and approved by review board	Core curricula distributed to at least 5 qualifying providers in each province (5 x 10 = 50)	Quarterly progress reports Loan review missions	Assumption Core curricula concept, replacing structural training, endorsed by MENPAN, BADAN DIKLAT, and LAN	Completed
Training of trainers for core curriculum carried out	At least 3 trainers trained in first year in each qualifying provider in each province (3 x 5 x 10 = 30)		(A) Participating staff released for training at institutions own cost	Completed
Years 2–6				
Core curricula reviewed, updated, and certified as alternative to structural training	Core curricula reviewed and distributed at end of year 4	Quarterly progress reports Loan review missions	Assumption Core curricula concept working well in regional governments	Curriculum updating was expected to be implemented in Q2 of 2011 through existing consultant contracts, using the budget category of 2B (capacity building for service providers). However, because of limited time to implement the plan, the proposal was finally canceled and not included in the latest CTC contract addendum.
Training of trainers for core curriculum replicated	3 trainers trained in qualifying providers in each province each year (3 x 5 x 10 = 30)		Assumption TOT certification systems adopted and in place	

Design Summary	Performance Indicators and Targets	Monitoring Mechanisms	Assumptions and Risks	Achievements
C.3: To create a system of providers regulated primarily by market forces, but supported by essential marketing networks, database, and certification systems (B.4 above)				
Year 1				
National management systems for database of CB providers, core curriculum certification, and accreditation established	System installed in LAN (including ICT) with required permanent staffing and initial consultant support mobilized	Quarterly progress reports Loan review missions	Assumption Capacity-building service providers see the benefits of an accreditation and certification system	
TOT graduate and master TOT (3+ modules) certification systems	TOT certification systems adopted and in place in LAN			The 24 core curriculum courses were completed, certified, and used by the regional governments. All TOTs were completed for 37 districts/cities and 7 provinces. The TOT was conducted in seven batches, with a total of 467 trainer candidates invited, of whom 429 participated in the training courses and 388 participants were certified. TOTM for the regional governments and SP team leader in 37 districts/cities locations and 7 provinces locations was completed. A total of 147 trainer managers participated and were certified.
Pilot scheme for revolving fund to support business development plans of selected providers	Improved level of capacity building services available in all target provinces	Receipt of scheduled loan repayments Business plan, as security and monitoring mechanism	Risks Loan default Misappropriation of funds	
Years 2–6				
National management systems institutionalized and fully operational	Systems operational in LAN	Quarterly progress reports Loan review missions	Risk Introduction of new rent-seeking practices by custodians of the system ^c	
Permanent scheme for revolving fund to support the business development plans of qualifying providers	Improved level of capacity-building services available in all target provinces	Receipt of scheduled loan repayments Business plan, as security and monitoring mechanism	Risks Loan default Misappropriation of funds Participating bank(s) is (are) not interested in the volume of business or require a markup that makes borrowing unattractive	This subcomponent was canceled because of low interest from capacity-building service providers.

APBD - *anggaran pendapatan dan belanja daerah* (local budget); BADAN DIKLAT – Badan Pendidikan dan Pelatihan (Training and Education Center); BAPPEDA - Badan Perencana Pembangunan Daerah (Regional Body for Planning and Development); CB –

capacity building; CB-AP – capacity building action plan; CPMO - central project management office; CTC – core team consultant ; DIPA – *daftar isian penggunaan anggaran* (budget allocation); DPRD - Dewan Perwakilan Rakyat Daerah (Regional Legislative Council); ICT - information and communication technology; KEPMEN – *keputusan menteri* (ministerial decree); LAN – Lembaga Administrasi Negara (Institute of Public Administration); Menpan – Kementerian Pendayagunaan Aparatur Negara (Ministry of State Apparatus Empowerment); MOHA – Ministry of Home Affairs; MSS – minimum service standard; NCBF – National Capacity Building Framework; PERDA – *peraturan daerah* (regional regulation); PERPRES – *peraturan presiden* (presidential regulation); PKEKD - Peningkatan Kapasitas dan Evaluasi Kinerja Daerah (Regional Capacity Building and Performance Evaluation); PPCO – provincial project coordination office; PROPEDA – *program pembangunan daerah* (regional development program); RAKORBANG – *rapat koordinasi pembangunan* (development coordination meeting); RENSTRA – *rencana strategis* (strategic plan); RENSTRADA – *rencana strategis daerah* (regional strategic plan); REPETADA – *rencana pembangunan tahunan daerah* (annual regional development plan); SCBD – sustainable capacity building for decentralization; TOT – training of trainers; TOTM – training of trainers for managers; UU - *undang-undang* (law);

^a E.g., health, education, basic civic services, public works, flood control and drainage.

^b See subsection E of this logical framework for CB-AP monitoring and assessment.

^c The risk of rent seeking is minimized through: (i) the standardization of basic principles of, and requirements for, content within core training; and (ii) the prequalification of providers.

Capacity Building Action Plan Monitoring Mechanisms		SCBD Funded						
			A	B	C	D	E	F
A	Framework (CB policy, program strategy and planning, performance targets)							
1	Capacity-building policy and strategy	no	X					
2	Performance monitoring and measurement systems	yes			X			X
B	Institutional Strengthening (legal and regulatory environment)							
3	Essential regional supporting regulations (SK, PERDA, etc.)	yes	X					X
4	Issue of guidelines (PEDOMAN, technical handbooks)	yes						X
5	Rationalization and restructuring of agencies, as necessary	no	X	X		X		
6	Rationalization of line management (functional) staff positions	no	X	X		X		
7	Database on management and systems support providers	no				X		
	B.1. Installation of customized systems	yes				X		X
C	Human Resources Management (systems and methods)							
16	Training management, staff deployment, and tracker systems	yes		X	X			X
17	Human resources inventory (HRI)	yes		X				X
18	Development of specific HRM guidelines	no	X	X				
19	Issue of formal job descriptions via PERDA	no	X					
20	Database on training and education providers	no				X		
D	Human Resources Development (training and education)							
21	Training needs assessment	yes		X		X		X
23	Formal education: University degrees	no				X		
	Core training to strengthen essential skills:	-						
25	– Senior executive core training	yes				X		X
26	– Managerial core training	yes				X		X
27	– Technical core training	yes				X		X
28	– Certified specialist courses	yes				X		X
28	GOI structural training for promotion	no						
29	Other training	yes				X		X
33	Recruitment program	yes	X			X		X
34	Redundancy program and “golden handshake” funding	yes	X			X		X
E	Financing and Budgeting (sustainable systems)							
35	Financial management and accounting systems	no				X		
36	Items, as required	no						

A = legalized via SK and *Perda*; B = reviewed by central project management office annually; C = reviewed by central project management office quarterly; D = approved via capacity-building action plan; E = SCBD project accreditation; F = state-owned enterprise payment by *Pimpro*.

CB = capacity-building, SK = Surat Keputusan, HRI = Human Resource Inventory, HRM = Human Resource Management, Pedoman = guidelines, Pimpro = Pimpinan Proyek (Project Director), SCBD = Sustainable Capacity Building for Decentralization Project.

List of Participating Regional Governments (Based on Batches)

Batch 1	Batch 2	Batch 3 (Province)
1. Simalungun district	1. Karo district	1. North Sumatra ^a
2. Medan city	2. Tapanuli Tengah district	
3. Palembang city	3. Ogan Komering Ulu district	2. South Sumatra
4. Ogan Komering Ilir district ^b		
5. Lampung Timur district	4. Lampung Selatan district	3. Lampung
6. Lampung Utara district		
7. Lebak district ^b		4. Banten
	5. Pandeglang district	
8. Bogor district	6. Cirebon city	5. West Java ^a
9. Garut district ^b	7. Cirebon district	
10. Tasikmalaya district ^b	8. Kuningan district	
	9. Subang district	
11. Brebes district ^b	10. Wonogiri district	6. Central Java ^a
12. Pemalang district ^b	11. Banjarnegara district	
	12. Klaten district	
	13. Sragen district	
13. Sleman district ^b		7. D.I. Yogyakarta
14. Bantul district ^b		
	14. Nganjuk district	8. East Java
	15. Bojonegoro district	
	16. Gresik city	
	17. Sampang district	
	18. Kediri city	
	19. Malang city	
	20. Lombok Barat district	9. West Nusa Tenggara
	21. Lombok Tengah district	
	22. Buton district	10. Southeast Sulawesi
	23. Bau-Bau city	

^a Dropped from the project. North Sumatra could not meet the project deadline for the selection of consulting service provider that would implement the capacity-building action plan (CB-AP). Central Java withdrew from participation during service provider selection. West Java did not express interest in the project.

^b In 2010, eight regional governments in batch 1 received additional support from the loan surplus for the fourth and fifth years of CB-AP implementation. These regions were selected on the basis of their success in implementing the CB-AP.

Completed Capacity-Building Action Plan Implementation Activities

(37 Local Governments from Batches 1 and 2 and Rewards, and 7 Provincial Governments from Batch 3, as of 23 November 2011)

Batch	No.	Provincial/Local Government	Total CB-AP Activities	Training Activities	Non-Training Activities, by Legal Draft Status					Legal Draft Completed by Local Government	
					Total	MIS/SIM	Non-MIS	Legal Draft	Legal Draft Uncompleted	Issued	In Progress
BATCH 1	1.	Kab. Simalungun	77	42	35	5	30	29	6		
	2.	Kota Medan	74	45	29	10	19	23	6	2	21
	3.	Kab. Ogan Komering Ilir	87	49	38	6	32	32	6		
	4.	Kota Palembang	67	50	17	4	13	11	6		
	5.	Kab. Lampung Utara	91	56	35	5	30	29	6		
	6.	Kab. Lampung Timur	83	50	33	3	30	27	6		
	7.	Kab. Lebak	106	59	47	0	47	41	6	15	26
	8.	Kab. Bogor	81	43	38	7	31	32	6		
	9.	Kab. Garut	65	30	35	5	30	29	6		
	10.	Kab. Tasikmalaya	97	63	34	8	26	28	6	12	16
	11.	Kab. Brebes	84	51	33	5	28	27	6		
	12.	Kab. Pematang	70	34	36	5	31	30	6		
	13.	Kab. Bantul	74	43	31	5	26	25	6		
	14.	Kab. Sleman	88	66	22	3	19	16	6		
BATCH 2	1.	Kab. Tapanuli Tengah	63	34	29	5	24	28	1	17	11
	2.	Kab. Karo	60	29	31	7	24	25	6	0	25
	3.	Kab. Ogan Komering Ulu	81	39	42	6	36	41	...	0	41
	4.	Kab. Lampung Selatan	64	39	25	5	20	8	17	0	8
	5.	Kab. Pandegelang	68	39	29	5	24	23	6	0	23
	6.	Kab. Subang	70	37	33	5	28	27	6	3	24
	7.	Kab. Kuningan	61	35	26	5	21	24	2	11	13
	8.	Kab. Cirebon	76	42	34	2	32	27	...	0	27
	9.	Kota Cirebon	82	47	35	5	30	35	0	0	35
	10.	Kab. Banjarnegara	81	35	46	7	39	15	31	0	15
	11.	Kab. Klaten	78	40	38	5	33	35	3	0	35
	12.	Kab. Sragen	89	58	31	8	23	19	22	9	10
	13.	Kab. Wonogiri	86	43	43	8	35	29	14	0	29
	14.	Kab. Nganjuk	73	47	26	6	20	26	0	10	16

Batch	No.	Provincial/Local Government	Total CB-AP Activities	Training Activities	Non-Training Activities, by Legal Draft Status					Legal Draft Completed by Local Government	
					Total	MIS/SIM	Non-MIS	Legal Draft	Legal Draft Uncompleted	Issued	In Progress
	15.	Kab. Gresik	80	46	34	11	23	28	6	8	20
	16.	Kota Malang	71	41	30	7	23	13	17	8	5
	17.	Kab. Bojonegoro	84	46	38	6	32	20	18	0	20
	18.	Kota Kediri	88	59	29	2	27	4	25	3	1
	19.	Kab. Sampang	82	42	40	5	35	34	6	0	34
	20.	Kab. Lombok Tengah	90	51	39	5	34	25	14	0	25
	21.	Kab. Lombok Barat	71	36	35	6	29	33	2	17	16
	22.	Kota Bau-Bau	92	41	51	9	42	36	15	15	21
	23.	Kab. Buton	123	84	43	7	36	38	5	0	38
BATCH 3 (Provinces)	1.	Sumatera Selatan	31	9	22	2	20	22	6	0	22
	2.	Lampung	41	19	22	2	20	18	4	0	18
	3.	Banten	26	14	12	2	10	11	1	0	11
	4.	DI. Yogyakarta	49	23	26	3	23	5	21	3	2
	5.	Jawa Timur	47	33	14	2	12	8	6	0	8
	6.	Nusa Tenggara Barat	43	24	19	4	15	19	0	0	19
	7.	Sulawesi Tenggara	56	30	26	0	26	20	6	0	20
REWARDS	1.	Kab. Ogan Komering Ilir	4	0	4	2	2	2	2	0	2
	2.	Kab. Lebak	8	4	4	3	1	1	3	0	1
	3.	Kab. Garut	9	3	6	1	5	0	6	0	0
	4.	Kab. Tasikmalaya	7	0	7	5	2	7	0	0	7
	5.	Kab. Brebes	8	2	6	0	6	6	0	0	6
	6.	Kab. Pematang	10	1	9	1	8	9	0	0	9
	7.	Kab. Bantul	11	6	5	1	4	1	4	0	1
	8.	Kab. Sleman	11	5	6	3	3	0	6	0	0
Total			3,318	1,864	1,458	239	1,219	1,101	365	133	681

Kab – Kabupaten (District); MIS – Management Information System; SIM – Sistem Informasi Manajemen

Non-training Activities in the Capacity-Building Action Plan

Component	Activity
Component 1	CAPACITY-BUILDING FRAMEWORK
Example for Activities under Component 1	Capacity-Building Strategy
	Public Survey regarding Performance Score Card
	Performance Assessment System and Monitoring
Component 2	INSTITUTIONAL STRENGTHENING
Subcomponent 2.1	Institutional Development
Sample Activities under Component 2.1	Development of essential local supporting regulations (SK, Peraturan Daerah, etc.)
	Issue of guidelines (PEDOMAN, technical handbooks)
	Issue of tasks and functions for work units and positions – structural and functional (TUPOKSI)
	Rationalization and restructuring of agencies, as necessary
	Rationalization of functional (line management) staff positions
Subcomponent 2.2	Customized Management Systems
Sample Activities under Component 2.2	Management Information System (MIS)
	Asset Management System (AMS)
	Financial Management System (FMS) (according to KEPMENDAGRI 29/2002)
	Local Revenue Management System (according to KEPMENDAGRI 43/1999)
	Personnel Management System (PMS)
	Workflow Management System (WMS)
	Performance-Oriented Maintenance Management System (POMMS)
	Geographic Information System (GIS)
Component 3	HUMAN RESOURCES MANAGEMENT: SYSTEM DEVELOPMENT
Sample Activities under Component 3	Training management, personnel development, and employee tracking system
	Human resources inventory
	Development of specific guidance for human resources management
	Issuance of official job descriptions
	Recruitment program
	Employee downsizing program
Component 4	HUMAN RESOURCES DEVELOPMENT
Subcomponent 4.1	Human Resources Assessment
Sample Activities under Component 4.1	Training needs assessment

KEPMENDAGRI – *keputusan menteri dalam negeri* (minister of home affairs decree); SK – *surat keputusan* (decree);

List of Management Information Systems (MIS)

Category	No.	Title of System	Users ^a	
			Number	%
MIS for Internal Management Support Purposes	1.	Personnel Management Information System (SIMPEG)	34	15.38
	2.	MIS for Regional Development Planning (SIMRENBANGDA)	25	11.31
	3.	Asset Management Information System (SIMASET)	24	10.86
	4.	Geographic Information System (SIGDA)	16	7.24
	5.	Regional Revenue Management Information System (SIMPADA)	14	6.33
	6.	Poverty Alleviation Management Information System (SIMTASKIN)	12	5.43
	7.	Financial Management Information System (SIMKEU)	9	4.07
	8.	MIS for Monitoring and Evaluation (SIMONEV)	5	2.26
	9.	Population/Demographic Management Information System (SIMDUK)	3	1.36
	10.	Integrated District/City Management Information System	3	1.36
	11.	Regional Development Management Information System	3	1.36
	12.	Remuneration Management Information System	3	1.36
	13.	Digital Filing/Document Management System(DMS)	3	1.36
	14.	MIS for Reports on Accountability and Performance of Government Institution (SIM LAKIP)	2	0.90
	15.	MIS for Regional Development Coordination	2	0.90
	16.	Development of Performance Management Information System	1	0.45
	17.	MIS (Application Development) for APBD Formulation	1	0.45
	18.	Development of MIS for Regional Infrastructure	1	0.45
	19.	Competitive Product Information System	1	0.45
	20.	MIS for Development Program Database	1	0.45
	21.	Development of e-Government	1	0.45
	22.	Executive Information System (including management decision support system for senior executive level in provincial/local government)	1	0.45
	23.	Development of e-Office Management Information System	1	0.45
	24.	Development of Web-Based Application for Regional Development Information Services	1	0.45
	25.	Regional Government Administration Information System	1	0.45
	26.	Regional Budget Management Information System (SIMAD)	1	0.45
	27.	Development of Workflow Management System (WMS)	1	0.45
	28.	Development of Regional Government Management Performance Information System	1	0.45
	29.	Development of Environmental Management Information System	1	0.45
	30.	Development of Online Data System	1	0.45
	31.	Development of Integrated Food Information System	1	0.45
	32.	Development of Provincial/Local Government Management Information System (SIMPEDA)	1	0.45
	33.	Development of MIS for State Apparatus' Training and Education Program	1	0.45
	34.	(Application) Development for Hospital Management Information System	1	0.45
	35.	Online Integrated Regional Management Information System (SIMDA)	1	0.45

Category	No.	Title of System	Users ^a	
			Number	%
MIS for Public Service Purposes	36.	MIS for Regional One-Stop Integrated Service (SIMTU)	14	6.33
	37.	MIS for One-Stop Integrated Licensing Service	5	2.26
	38.	Regional Profiles Management Information System	4	1.81
	39.	Online Complaint Management Information System	3	1.36
	40.	Regional Portal Management Information System (including Content Management System [CMS])	3	1.36
	41.	Regional Potential Information System	3	1.36
	42.	Regional Investment Information System	2	0.90
	43.	Regional Products Information System	1	0.45
	44.	(Public) Infrastructure Management Information System	1	0.45
	45.	Development of MIS for Regional Financial Accounting	1	0.45
	46.	Public Health Management Information System	1	0.45
	47.	MIS for Public Information Services (SIMLIP)	1	0.45
	48.	Development of Regional Tourism Information System	1	0.45
	49.	Development of MIS for APBD Reporting	1	0.45
	50.	Procurement Management Information System (e-Procurement)	1	0.45
	51.	Promotion and Publication Management Information System	1	0.45
TOTAL			221	

APBD - *anggaran pendapatan dan belanja daerah* (local budget); MIS – Management Information System;

^a By provincial or local government.

List of Training Participants

Batch	No.	Provincial/Local Government	Total Participants		
			M	W	Total
BATCH 1	1	Simalungun	659	163	822
	2	Medan	1,715	656	2,371
	3	Ogan Komering Ilir (OKI)	945	354	1299
	4	Palembang	1,156	583	1,739
	5	Lampung Utara	1,640	640	2,280
	6	Lampung Timur	1,838	737	2,575
	7	Lebak	1,786	616	2,402
	8	Bogor	1,226	824	2,050
	9	Garut	987	427	1,414
	10	Tasikmalaya	728	126	854
	11	Brebes	1,589	1,102	2,691
	12	Pemalang	1,992	589	2,581
	13	Bantul	2,168	1,411	3,579
	14	Sleman	3,640	1,520	5,160
	Total, Batch 1		22,069	9,748	31,817
BATCH 2	1	Tapanuli Tengah	1,256	816	2,072
	2	Karo	831	499	1,330
	3	Ogan Komering Ulu (OKU)	459	634	1,093
	4	Lampung Selatan	1,233	507	1,740
	5	Pandegelang	1,259	320	1,579
	6	Subang	1,733	523	2,256
	7	Kuningan	1,419	393	1,812
	8	Cirebon district	1,809	619	2,428
	9	Cirebon city	2,679	919	3,598
	10	Banjarnegara	2,277	823	3,100
	11	Klaten	1,597	648	2,245
	12	Sragen	604	382	986
	13	Wonogiri	1,843	640	2,483
	14	Nganjuk	1,746	461	2,207
	15	Gresik city	888	560	1,448
	16	Malang city	1,077	998	2,075
	17	Bojonegoro	1,859	395	2,254
	18	Kediri city	1,342	703	2,045
	19	Sampang	1,173	610	1,783
	20	Lombok Tengah	1,186	595	1,781
	21	Lombok Barat	1,185	573	1,758
	22	Bau-Bau city	1,083	887	1,970
	23	Buton	3,392	1,865	5,257
	Total, Batch 2		33,930	15,370	49,300
BATCH 3 (Provinces)	1	Sumatera Selatan	254	150	404
	2	Lampung	325	240	565
	3	Banten	472	118	590
	4	DI. Yogyakarta	575	370	945
	5	Jawa Timur	1,127	523	1,650
	6	Nusa Tenggara Barat (NTB)	522	180	702
	7	Sulawesi Tenggara	290	184	474
	Total, Batch 3		3,565	1,765	5,330

Batch	No.	Provincial/Local Government	Total Participants		
			M	W	Total
REWARDS	1	Kab. Ogan Komering Ilir (OKI) ^a	0	0	0
	2	Kab. Lebak	164	70	234
	3	Kab. Garut	141	39	180
	4	Kab. Tasikmalaya ^a	0	0	0
	5	Kab. Brebes	166	66	232
	6	Kab. Pematang	41	19	60
	7	Kab. Bantul	298	161	459
	8	Kab. Sleman	155	141	296
	Total Rewards		965	496	1,461
TOTAL Batch 1, 2, 3 and Rewards			60,529	27,379	87,908

^a No training provided.

List of Training Participants
(based on gender and structural position)

Batch	No.	Provincial/Local Government	Echelon II			Echelon III			Echelon IV			Staff			Total Participants		
			M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
BATCH 1	1	Kab. Simalungun	22	0	22	293	47	340	344	116	460			0	659	163	822
	2	Kota Medan	166	20	186	698	332	1,030	851	304	1,155			0	1,715	656	2,371
	3	Kab. Ogan Komering Ilir (OKI)	37	3	40	301	85	386	377	184	561	230	82	312	945	354	1,299
	4	Kota Palembang	24	6	30	276	88	364	432	221	653	424	268	692	1,156	583	1,739
	5	Kab. Lampung Utara				427	128	555	636	104	740	577	408	985	1,640	640	2,280
	6	Kab. Lampung Timur	27	7	34	877	264	1,141	734	449	1,183	200	17	217	1,838	737	2,575
	7	Kab. Lebak	115	5	120	548	76	624	1,051	517	1,568	72	18	90	1,786	616	2,402
	8	Kab. Bogor	45	11	56	512	285	797	576	388	964	93	140	233	1,226	824	2,050
	9	Kab. Garut	78	6	84	202	58	260	550	240	790	157	123	280	987	427	1,414
	10	Kab. Tasikmalaya	87	9	96	273	37	310	368	80	448			0	728	126	854
	11	Kab. Brebes	39	6	45	250	70	320	1,150	918	2,068	150	108	258	1,589	1,102	2,691
	12	Kab. Pemalang	72	8	80	595	145	740	1,169	352	1,521	156	84	240	1,992	589	2,581
	13	Kab. Bantul	433	362	795	809	621	1,430	926	428	1,354			0	2,168	1,411	3,579
	14	Kab. Sleman	100	10	110	1,210	620	1,830	1,550	580	2,130	780	310	1090	3,640	1,520	5,160
	Total, Batch 1		1,245	453	1,698	7,271	2,856	10,127	10,714	4,881	15,595	2,839	1,558	4,397	22,069	9,748	31,817
BATCH 2	1	Kab. Tapanuli Tengah	51	1	52	317	133	450	828	661	1489	60	21	81	1256	816	2,072
	2	Kab. Karo	77	13	90	210	55	265	462	333	795	82	98	180	831	499	1,330
	3	Kab. Ogan Komering Ulu (OKU)	44	2	46	107	420	527	308	212	520			0	459	634	1,093
	4	Kab. Lampung Selatan	162	48	210	504	216	720	567	243	810			0	1233	507	1,740
	5	Kab. Pandegelang	139	11	150	617	103	720	384	175	559	119	31	150	1259	320	1,579
	6	Kab. Subang	153	7	160	510	118	628	691	237	928	379	161	540	1,733	523	2,256
	7	Kab. Kuningan	185	7	192	538	62	600	523	167	690	173	157	330	1,419	393	1,812
	8	Kab. Cirebon	120	14	134	434	186	620	1,255	419	1,674			0	1,809	619	2,428
	9	Kota Cirebon	142	15	157	727	165	892	1,810	739	2,549			0	2,679	919	3,598
	10	Kab. Banjarnegara	109	6	115	666	130	796	732	351	1,083	770	336	1,106	2,277	823	3,100
	11	Kab. Klaten	110	18	128	517	148	665	411	247	658	559	235	794	1,597	648	2,245
	12	Kab. Sragen	25	5	30	33	31	64	341	197	538	205	149	354	604	382	986
	13	Kab. Wonogiri	201	52	253	542	188	730	803	307	1,110	297	93	390	1,843	640	2,483
	14	Kab. Nganjuk	175	21	196	544	87	631	870	240	1,110	157	113	270	1,746	461	2,207
	15	Kab. Gresik	146	130	276	195	60	255	452	290	742	95	80	175	888	560	1,448
	16	Kota Malang	191	73	264	264	295	559	193	150	343	429	480	909	1,077	998	2,075
	17	Kab. Bojonegoro	352	12	364	642	108	750	567	243	810	298	32	330	1,859	395	2,254
	18	Kota Kediri	120	15	135	431	189	620	723	447	1,170	68	52	120	1,342	703	2,045

Batch	No.	Provincial/Local Government	Echelon II			Echelon III			Echelon IV			Staff			Total Participants		
			M	W	Total	M	W	Total	M	W	Total	M	W	Total	M	W	Total
	19	Kab. Sampang	206	17	223	451	269	720	516	324	840	0	0	0	1,173	610	1,783
	20	Kab. Lombok Tengah	159	12	171	398	75	473	402	471	873	227	37	264	1,186	595	1,781
	21	Kab. Lombok Barat	51	5	56	464	164	628	493	272	765	177	132	309	1,185	573	1,758
	22	Kota Bau-Bau	221	25	246	409	409	818	453	453	906	0	0	0	1,083	887	1,970
	23	Kab. Buton	250	18	268	851	300	1,151	1,442	913	2,355	849	634	1,483	3,392	1,865	5,257
	Total, Batch 2		3,389	527	3,916	10,371	3,911	14,282	15,226	8,091	23,317	4,944	2,841	7,785	33,930	15,370	49,300
BATCH 3 (Provinces)	1	Sumatera Selatan	39	5	44	99	51	150	116	94	210			0	254	150	404
	2	Lampung			0	137	89	226	188	151	339			0	325	240	565
	3	Banten	18	3	21	245	44	289	209	71	280			0	472	118	590
	4	DI. Yogyakarta	43	18	61	160	69	229	309	241	550	63	42	105	575	370	945
	5	Jawa Timur	66	9	75	323	90	413	572	283	855	166	141	307	1,127	523	1,650
	6	Nusa Tenggara Barat (NTB)	0	0	0	190	50	240	283	119	402	49	11	60	522	180	702
	7	Sulawesi Tenggara	29	6	35	32	34	66	229	144	373	0	0	0	290	184	474
	Total Batch 3		195	41	236	1,186	427	1,613	1,906	1,103	3,009	278	194	472	3,565	1,765	5,330
REWARDS	1	Kab. Ogan Komering Ilir (OKI)*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	2	Kab. Lebak				64	24	88	81	37	118	19	9	28	164	70	234
	3	Kab. Garut				43	17	60	50	10	60	48	12		141	39	180
	4	Kab. Tasikmalaya*	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
	5	Kab. Brebes							166	66	232				166	66	232
	6	Kab. Pematang							41	19	60				41	19	60
	7	Kab. Bantul				95	30	125	88	47	135	115	84	199	298	161	459
	8	Kab. Sleman				10	2	12	49	44	93	96	95	191	155	141	296
Total, Rewards			0	0	0	212	73	285	475	223	698	278	200	418	965	496	1,461
TOTAL Batch 1, 2, 3 and Rewards			4,829	1,021	5,850	19,040	7,267	26,307	28,321	14,298	42,619	8,339	4,793	13,072	60,529	27,379	87,908

*) no training provided

Review of Gender Action Plan Implementation

A. Introduction

1. In addition to the standard loan covenants, the executing agency, the Ministry of Home Affairs (MOHA), included a specific assurance relating to gender: (i) the government will ensure, or cause the project regional governments to ensure, support for specific reforms and commitments at the local level concerning merit-based appointments, promotions, and training opportunities (gender and merit-based access); and (ii) gender mainstreaming will form an integral constituent of each capacity-building action plan (CB-AP). The executing agency should ensure that in selecting the participants for all training activities, priority is given to women, with the ultimate goal of reaching gender equality in the training, recruitment, and promotion of civil servants. The government will also ensure that gender concerns are adequately addressed in the CB-APs.

2. All participating regional governments received technical assistance in developing their CB-APs, including an integral gender action plan (GAP),¹ and benchmarking assistance to determine (i) existing levels of institutional performance and attendant capacity shortfalls, and (ii) status of human resources and gender equity, followed by target setting and establishment of monitoring frameworks. In summary, the project's gender mainstreaming component sought to incorporate gender equity dimensions in all aspects of the project and to improve the overall gender balance in regional governments as assessed, monitored, and compared before and after implementation.

B. Gender Action Plan

3. The GAP was an integral element of the CB-AP process. Within the context of the project, there was no stand-alone GAP, but the approval of each CB-AP was contingent on the incorporation of an adequate GAP that met the requirements of the GAP checklist developed under the project. The purpose of the GAP was to ensure; i) the integration of gender concerns into the *kota/kabupaten* capacity-building strategy and related programs; and (ii) equal-opportunity access to key management positions by all qualified and experienced personnel, regardless of sex, race, or religion. Overall, the GAP formulation process followed the pattern of CB-AP preparation. GAP preparation required the CB-AP preparation team to designate a gender sub-team to develop the GAP. The field teams assisted in identifying existing capacity, problems, and priority actions through consultation between various regional work units (SKPD), civil society organizations, and the public as consumers of regional government services.

C. Preparation of the Gender Action Plan

4. The overall preparation process of the GAP can be summarized as follows:
- (i) **Collection and preliminary analysis of base data.** The gender gap in the civil service was obscured by a lack of data regarding the proportion of women in civil service entry and promotion. A full set of gender-disaggregated data concerning levels of participation in each area of public service was necessary before any informed discussion could take place.

¹ The core team for TA 4022-INO (footnote 4 in the main report) included a gender specialist to support the human resources management specialist. These professionals, together with the field teams for the TA, supported the GAP design process. The monitoring team for TA 4023-INO (footnote 5 in the main report) carried out monitoring to make sure that the regional governments implemented the GAP design process.

- (ii) **Consultation and assessment.** A program of consultations was conducted with the *dinas* and *badan*, among civil society organizations, consumers, and representatives of women's groups concerning, among others: (a) application of approved policy on gender equity; (b) equal access to career development opportunities; and (c) effectiveness of any existing special programs bearing on gender equity.

D. Components of the Gender Action Plan

5. Components for gender equity action were nominated. These included key human resources management initiatives and investments in support of more equitable participation of women in the project. Each component of the GAP specified the required gender action to be taken, defined targets, and specified quotas where necessary. The project used a system of percentage increments toward gender balance rather than fixed targets.

6. **Gender action plan strategy.** Overall CB-AP strategies included: (i) equal opportunity, with specific reference to the types of capacity-building interventions necessary for efficient local resources management and service delivery, respecting equal opportunity for all personnel regardless of gender, race, and disability; and (ii) secure sustainable resource allocations for activities and measures to mainstream gender equity in CB-APs. The GAP sub-strategies were required for all elements of the CB-AP: (i) reorganization, (ii) rationalization, (iii) system development, (iv) training, (v) recruitment and retrenchment, and (vi) management measures and incentives. Gender mainstreaming objectives were articulated in sectoral and administrative guidelines at all levels.

7. **Gender action plan implementation.** The GAP was implemented over the 5 years of CB-AP implementation. GAP implementation was monitored, along with CB-AP implementation. As a result of GAP implementation, many participating regional governments issued regulations or guidelines with regard to gender mainstreaming. Some examples are given below:

- (i) Kuningan district passed Regency Regulation (Peraturan Bupati) 24/2011 regarding guidelines on good governance in Kuningan district government, which included gender equality. The guidelines state that government personnel, regardless of gender, have equal right to express their opinion in decision making and to improve their welfare. The district also issued gender mainstreaming guidelines, which provide for equal opportunity, regardless of gender, in human resources policy (recruitment, transfer and promotion, training, and career development).
- (ii) D.I. Yogyakarta province issued guidelines on gender-responsive budgeting for all work units (SKPD) and guidelines on the evaluation of the implementation of gender mainstreaming.
- (iii) The provincial government in South Lampung province established a separate work unit, the Birth Control and Women Empowerment Agency, in the province. The agency was upgraded to a permanent institution by Regional Regulation (PERDA) 7/2011. With support from the project, the agency started to develop its 2011 annual work plan and associated budget.

8. In all participating regional governments, training in gender mainstreaming awareness was provided to staff at all levels (echelons II–V), regardless of gender. Specific training related to gender-responsive budgeting was also provided to all staff.

9. As part of GAP implementation, sex-disaggregated data were regularly reported, particularly with regard to participation in training and workshops, as shown in **Appendix 6**.

List of Core Curriculum Courses

1. Good Governance and Government Ethic (Kepemerintahan yang Baik dan Etika Pemerintah)
2. Accountability of Government Institutional Performance (Akuntabilitas Kinerja Instansi Pemerintah [AKIP])
3. Formulations of Strategic Plans (Formulasi Rencana Strategis)
4. Regional Development Planning (Perencanaan Pembangunan Daerah)
5. Project Management (Manajemen Proyek)
6. Public Services Delivery, Accountability and Quality Management (Pelayanan Publik, Akuntabilitas, dan Manajemen Kualitas)
7. Financial Planning and Management (Perencanaan dan Pengelolaan Keuangan Daerah)
8. Financial Management for Non-finance Officers (Manajemen Keuangan bagi Pejabat Non-Keuangan)
9. Asset Management I: Physical (Manajemen Aset Daerah I: Fisik)
10. Regional Economic Development (Pengembangan Ekonomi Daerah)
11. Management of the People's Economy (Manajemen Ekonomi Masyarakat)
12. General Administration (Administrasi Umum)
13. Organizational Development (Pengembangan Organisasi Pemerintah Daerah)
14. Human Resources management and Development (Manajemen dan Pengembangan SDM)
15. Environmental Assessment and Management (Pengelolaan Lingkungan Hidup di Daerah)
16. Gender Awareness in Decentralization Era (Penyadaran Gender di Era Desentralisasi)
17. Poverty Alleviation (Pengentasan Kemiskinan)
18. Social Security Programs (Pengelolaan Program Jaminan Sosial)
19. Public Relation (Hubungan Masyarakat)
20. Information and Communication Technology (Teknologi Informasi dan Komunikasi)
21. Financial Management – Certified (Manajemen Keuangan – Bersertifikat)
22. Human Resources Management – Certified (Manajemen SDM Pegawai Negeri Sipil – Bersertifikat)
23. Asset Management Professional/Certified (Manajemen Aset Daerah Profesional/Bersertifikat)
24. Legal Drafting – Certified (Penyusunan Peraturan Perundang-undangan – Bersertifikat)

List of Core Training Courses and Certified Courses

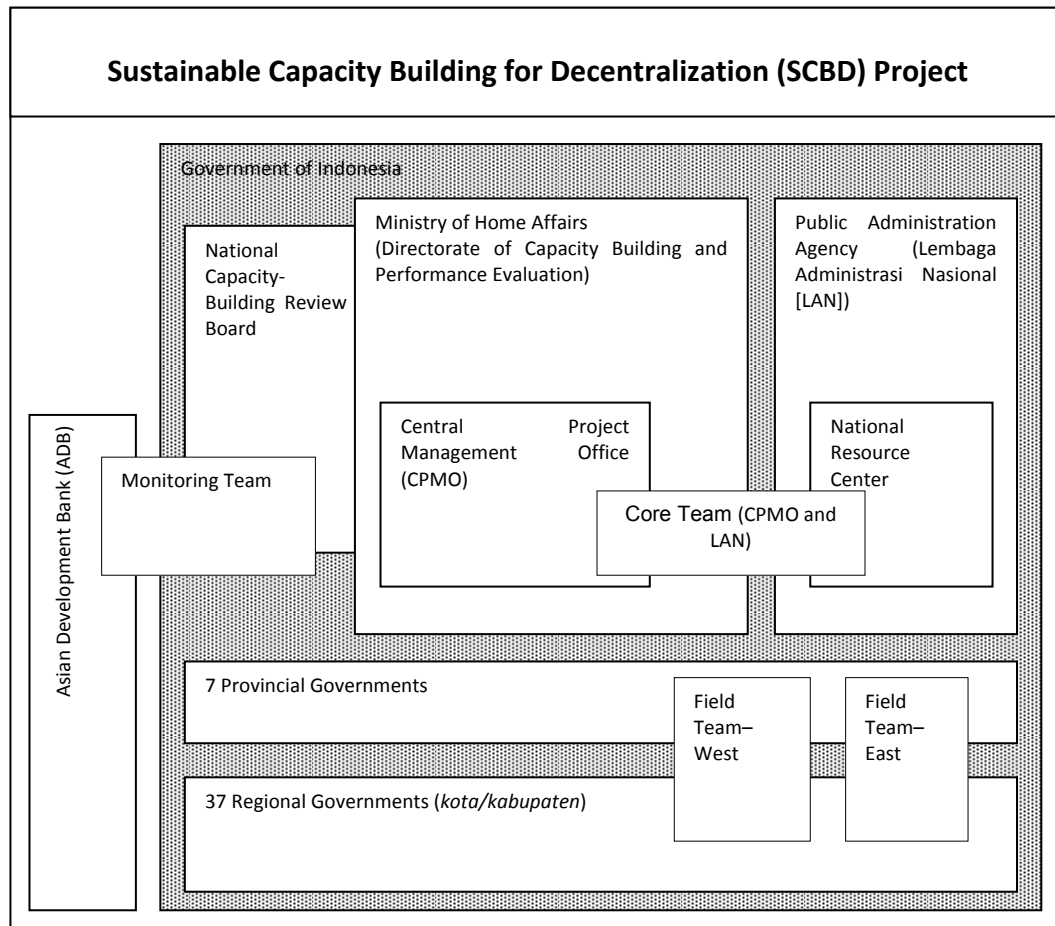
Training for Senior Executives (Echelon II)	
1.	Planning and Local Development
2.	Senior Executive Orientation Training I (Good Governance, Government Ethics, Public Services, and Accountability)
3.	Senior Executive Orientation Training II (AKIP, Financial Management for Non-finance Officers, and Asset Management)
4.	Senior Executive Orientation Training III (Gender Awareness, Poverty Alleviation, and Local Income Generation)
5.	Senior Executive Orientation Training IV (General Administration, Organization Development, and Human Resources Management and Development)
6.	Senior Executive Orientation Training V (Public Relations)

Training for Mid-level Executives (Echelon III)	
1.	Formulation of Strategic Plans (RENSTRA)
2.	Project Management
3.	Local Economic Development
4.	Organization Development, and Human Resources Management and Development
5.	Analysis of Local Potential
6.	Management of People's Economy
7.	Executive Orientation Training I (Good Governance, Government Ethics, and Public Services and Accountability)
8.	Executive Orientation Training II (AKIP, General Administration, Financial Management for Non-finance Officers, and Asset Management)
9.	Executive Orientation Training III (Information and Communication Technology and MIS)
10.	Executive Orientation Training IV (Gender Awareness, Poverty Alleviation, Local Income Generation, and Local Economic Planning and Management)
11.	Executive Orientation Training V (Public Relations)

Training for Junior Executives (Echelon IV)	
1.	Formulation of Strategic Plans (RENSTRA)
2.	Project Management
3.	Human Resources Management and Development (including, among others, manpower planning, job analysis and description, needs assessment, training planning and implementation, and training evaluation)
4.	Information and Communication Technology (ICT), and Management Information Systems (MIS)
5.	Financial Planning and Management
6.	Local Income Generation
7.	Local Economic Planning and Management
8.	Public Service and Quality Management
9.	Asset Management
10.	Environmental Assessment and Management
11.	Junior Executive Orientation Training I (Good Governance, Government Ethics, and Public Services Delivery)
12.	Junior Executive Orientation Training II (AKIP, Organization Development, and General Administration)
13.	Junior Executive Orientation Training III (Analysis of Local Potential, Management of People's Economy)
14.	Junior Executive Orientation Training IV (Gender Awareness, Poverty Alleviation, and Social Security Programs)
15.	Junior Executive Orientation Training V (Public Relations)

Certified Specialist Courses	
1.	Financial Management
2.	Higher Financial Management
3.	Human Resources Development
4.	Asset Management
5.	Legal Drafting

Project Structure



Status of Compliance with Loan Covenants

Reference in Loan Agreement	Covenant	Status of Compliance (as of 30 November 2011)
ARTICLE IV, Section 4.01. (a)	The borrower shall cause the Project to be carried out with due diligent and efficiency and in conformity with sound administrative, financial, engineering, environmental and human resource development management practices.	Complied with.
ARTICLE IV, Section 4.01. (b)	In the carrying out of the Project and operation of the Project facilities, the borrower shall perform, or cause to be performed, all obligation set forth in Schedule 6 to this loan agreement.	Partly complied with. The NCBRB, the RCBRB, and the PPCO were not set up because of budget constraints.
ARTICLE IV, Section 4.02.	The borrower shall make available, promptly as needed, the funds, facilities, services and other resources, which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.	Complied with.
ARTICLE IV, Section 4.03. (a)	In the carrying out of the Project, the borrower shall cause competent and qualified consultants and contractors, acceptable to the Borrower and the Bank, to be employed to an extent and upon terms and conditions satisfactory to the Borrower and the Bank.	Complied with.
ARTICLE IV, Section 4.03. (b)	The borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and the Bank. The Borrower shall furnish, or cause to be furnished, to the Bank, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as the Bank shall reasonable request.	Complied with.
ARTICLE IV, Section 4.04.	The Borrower shall ensure that the activities of its departments and agencies with respect to the carrying out of the Project and operation of the Project facilities	Complied with.

Reference in Loan Agreement	Covenant	Status of Compliance (as of 30 November 2011)
	are conducted and coordinated in accordance with sound administrative policies and procedures.	
ARTICLE IV Section 4.05. (a)	The borrower shall make arrangements satisfactory to the Bank for insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.	Complied with.
ARTICLE IV Section 4.05 (b)	Without limiting the generality of the foregoing, the Borrower undertakes to insure, or cause to be insured, the goods to be imported for the Project and to be financed out of the proceeds of the Loan against the hazards incident to the acquisition, transportation, and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in a currency freely usable to replace or repair such goods.	Complied with.
ARTICLE IV Section 4.06 (a)	The Borrower shall maintain, or cause to be maintained, records and accounts adequate to identify the goods and services and other items of expenditure financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect, in accordance with consistently maintained sound accounting principles, the operations and financial conditions of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof.	Complied with.
ARTICLE IV Section 4.06 (b)	The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to the Bank; (iii) furnish to the Bank, as soon as available	Complied with.

Reference in Loan Agreement	Covenant	Status of Compliance (as of 30 November 2011)
	but in any event not later than six (6) months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the covenants of this Loan Agreement as well as on the use of the procedures for imprest account / statement of expenditures), all in the English language; and (iv) furnish to the bank such information concerning such accounts and financial statements and the audit thereof as the Bank shall from time to time reasonably request.	
ARTICLE IV Section 4.06 (c)	The Borrower shall enable the Bank, upon the Bank's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the Borrower's auditor, and shall authorize and require any representative of such auditors to participate in any such discussions requested by the Bank, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.	Complied with.
ARTICLE IV Section 4.07 (a)	The Borrower shall furnish, or cause to be furnished, to the Bank all such reports and information as the Bank shall reasonably request concerning (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services and other items of expenditure financed out of the proceeds of the Loan; (iii) the Project; (iv) the administration, operations and financial condition of the agencies of the Borrower responsible for the carrying out of the Project and operation of the Project facilities, or any part thereof; (v) financial and economic conditions in the territory of the Borrower and the international	Complied with.

Reference in Loan Agreement	Covenant	Status of Compliance (as of 30 November 2011)
	balance-of-payments position of the Borrower; and (vi) any other matters relating to the purposes of the Loan.	
ARTICLE IV Section 4.07 (b)	Without limiting the generality of the foregoing, the Borrower shall furnish, or cause to be furnished, to the Bank semi-annual reports on the carrying out of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as the Bank shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the six months under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following six months.	Complied with.
ARTICLE IV Section 4.07 (b)	Promptly after physical completion of the project, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, in such form and in such detail as the Bank shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by the Borrower of its obligation under this Loan Agreement and the accomplishment of the purposes of the Loan.	Complied with.
ARTICLE IV Section 4.08	The Borrower shall enable the Bank's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.	Complied with.
ARTICLE IV Section 4.09	The Borrower shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, engineering, environmental, and maintenance and operational practices.	Complied with.

Reference in Loan Agreement	Covenant	Status of Compliance (as of 30 November 2011)
ARTICLE IV Section 4.10 (a)	It is the mutual intention of the Borrower and the Bank that no other external debt owed a creditor other than the Bank shall have any priority over the Loan by way of a lien on the assets of the Borrower. To that end, the Borrower undertakes (i) that, except as the Bank may otherwise agree, if any lien shall be created on any assets of the Borrower as security for any external debt, such lien will ipso facto equally and ratably secure the payment of the principal of, and interest charge and any other charge on, the Loan; and (ii) that the Borrower, in creating or permitting the creation of any such lien, will make express provision to that effect.	Complied with.
ARTICLE IV Section 4.10 (b)	The provisions of paragraph (a) of this Section shall not apply to (i) any lien created on property, at the time of purchase thereof, solely as security for payment of the purchase price of such property; or (ii) any lien arising in the ordinary course of banking transactions and securing a debt maturing not more than one year after its date.	Complied with.
ARTICLE IV Section 4.10 (c)	The term "assets of the Borrower" as used in paragraph (a) of this Section includes assets of any administrative subdivision or any agency of the Borrower and assets of any agency of any such administrative subdivision, including Bank Indonesia and any other institution performing the functions of a central bank for the Borrower.	Complied with.
	National Capacity Building Framework endorsed by the Government	The National Capacity Building Framework was endorsed on 5 November 2002 by the Ministry of Home Affairs and BAPPENAS, before loan negotiations.
Loan agreement, Schedule 6	Civil Service Reforms. The Government will gradually change all civil service positions into professionally classified positions.	The Ministry of State Apparatus Reform has already prepared guidelines for civil service reforms. Some local governments are restructuring their

Reference in Loan Agreement	Covenant	Status of Compliance (as of 30 November 2011)
		organizations and reallocating staff.
Loan agreement, Schedule 6	Public administration and minimum service standards. The Government will, by 31 December 2005 finalize guidelines for public administration standards for MOHA associated services; and make its best efforts to determine minimum service standards on health, education, agriculture, and public work	MOHA has been holding regular discussions with other sectoral ministries on the subject. Discussions are still under way for MSS and how they will be applied at the LG level. The MSS will be issued in 2008 for some sectors. Government Regulation (PP) 65/2007 was issued on MSS. A presidential decree is being prepared.
Loan agreement, Schedule 6	<p>Gender and Merit Based Access. The Government will ensure, or cause the project regional governments to ensure, that support for specific reforms and commitments at the local level concerning (a) merit-based appointments, promotions, and training opportunities and (b) gender mainstreaming form integral constituents of each CB-AP. The Government will ensure that in selecting the participants for all training activities, priority will be given to women with the ultimate goal of reaching gender equality in the training, recruitment, and promotion of civil servants. The Government will also ensure that gender concerns are adequately addressed in the CB-APs.</p> <p>Assessment of all gender related aspects of the projects will be incorporated in the semi annual report</p>	<p>A gender action plan has been integrated into the capacity-building action plan.</p> <p>The terms of reference for CB-AP service providers and curriculum development (package C-1) now incorporate various gender dimensions.</p> <p>Gender training was done on 10–11 September 2004 for 14 batch 1 PIUs, and on 12–13 April 2005 for 24 batch 2 PIUs.</p>
	Government will finalize policies and procedures for financial and planning systems for regional governments by December 2003.	Minister of Home Affairs Decree (KEPMEN) 29/2002 on regional financial management was issued in June 2002. Other related government regulations, such as the National Planning Law and the State Finance Law, were also issued in 2003.
	All counterpart funds will be provided on time. The Government and the participating regional governments will make timely submissions of annual budgetary appropriation request and ensure	MOHA, LAN, and MOHA's training center provided counterpart funds for project activities in 2005, 2006, and 2007. MOHA received approval from MOF for the carryover of the

Reference in Loan Agreement	Covenant	Status of Compliance (as of 30 November 2011)
	the prompt disbursement of appropriated funds during each year of implementations.	<p>unused counterpart budget for 2006 to 2007.</p> <p>The 14 batch 1 districts provided counterpart funds for 2007, in accordance with the commitment letters signed by the heads of districts and the regional parliaments.</p> <p>The 23 batch 2 districts provided sufficient counterpart funds for 2007.</p>
	Established, Staffed, and Operating PMU/PIU. CPMO has been established prior to loan negotiations. As of 31 December 2004, PIUs in all 37 districts have also been established. All PIUS are fully staffed, budgeted, and operational	<p>The CPMO was established before loan negotiations in November 2002 through Minister of Home Affairs Decree 118/2002.</p> <p>The CPMO director was also appointed before loan negotiations and a national project manager was appointed in January 2003.</p> <p>As of 31 Dec 2004, all 37 PIUs had been established, staffed, and budgeted.</p>
Loan agreement, Schedule 5	Fielding of Consultants The Government will ensure that the monitoring system for capacity-building ADTA team can monitor and assess all ongoing ADB-funded procurement and consultant recruitment activities. To this effect, an administrative order is to be issued at the latest 30 days after effectivity.	The government signed the TA agreement letter on 31 March 2003 indicating full acceptance of the monitoring team's tasks. The monitoring team has been fielded and work is in progress.
Loan agreement, Schedule 6	Independent auditors will be engaged to audit project accounts, including the revolving fund account. The consolidated annual audited accounts and financial statements, together with audit reports, in English, will be submitted to ADB within 6 months of the end of the government fiscal year.	No disbursement were made in 2003, 2004, and 2005. The first disbursement took place in January 2006.
Loan agreement, Schedule 6	Project Performance Management System. The Government will establish a project performance management system, satisfactory to ADB, within 3 months of loan effectiveness.	The project performance management system was developed by the monitoring team and presented at the inception meeting in November 2003.

Reference in Loan Agreement	Covenant	Status of Compliance (as of 30 November 2011)
Loan agreement, Schedule 6	Establishment of PPCOs. The Government shall establish, in each province with participating district governments, at the latest six months after the Effective Date, a Provincial Project Management Office which will be headed by the respective Provincial Project Coordinator. It shall have the task of formal oversight and day-to-day management of the Project in the respective provinces.	Complied with. PPCOs have been established in all 37 districts.
Loan Agreement, Schedule 6	Establishment of PIUs. The Government shall ensure that (a) for the first batch of the participating district governments under the Project and within six months after the Effective Date; and (b) for all other participating district governments selected under the Project and within thirty days of selection; a project implementation unit is established with the tasks of formulating and implementing the Capacity Building Action Plans in the respective districts.	As of 31 December 2004, PIUs had been established, staffed, and budgeted in all 37 batch 1 and 2 districts.
Loan Agreement, Schedule 6	Establishment of National Capacity Building Review Board. National Capacity Building Review Board is currently not established.	The national review board was established by ministerial decree in November 2002, before loan negotiations, but became fully operational only in October 2004. It approved the capacity-building action plans for the 14 batch 1 districts in December 2004. On 6 July 2006, a new committee was appointed and is now fully operational. The CB-APs for 23 batch 2 districts have also been approved.
Loan Agreement, Schedule 6	Establishment of Regional Capacity Building Review Board. The Government shall establish, in each province with participating district governments, at the latest six months after the Effective Date, a Regional Capacity Building Review Board. The membership of the Regional Board will comprise (i) participating district governments; (ii) premier universities and other prominent capacity building providers; and (iii) provincial governments. The chairperson will	The regional capacity-building review boards in the provinces are expected to be established after the PPCOs are established and fully functioning.

Reference in Loan Agreement	Covenant	Status of Compliance (as of 30 November 2011)
	be elected from among the participating Regional Governments	
Loan agreement, Schedule 6	Revolving Fund. The Government shall ensure the establishment, within nine months of the Effective Date, of a system of revolving credit to be provided to credit-worthy institutions that will be involved as service providers for the Project, which shall be managed by a commercial bank with a wide regional banking network and acceptable to ADB.	A market survey by core team consultants in early 2004 revealed relatively low interest in using the fund among both participating banks and service providers. Discussions were held with the Government of the Netherlands on potential alternative uses for the funds. The funds were reallocated.
Loan Agreement, Schedule 6	Eligibility Criteria. The Government shall ensure that during the first year of project implementation the CPMO shall formalize eligibility criteria for Batch II districts as agreed by the Government and ADB for the selection of participating district governments, and any subsequent changes thereto must obtain the approval of ADB	The main criteria proposed by MOHA are fiscal capacity and poverty incidence. Additional criteria were imposed in March 2004. Among these were agreements to implement good governance principles before and during the implementation of the project, and exclusion of other capacity-building support for districts from other agencies.

ADTA – Advisory Technical Assistance; BAPPENAS - Badan Perencana Pembangunan Nasional (National Development Planning Board); CB – capacity building; CB-AP – capacity building action plan; LAN – Lembaga Administrasi Negara (Institute of Public Administration); MOHA – Ministry of Home Affairs; MSS – minimum service standard; NCBRB – National Capacity Building Review Board; PCR – project completion report; PERDA – *peraturan daerah* (regional regulation); PERPRES – *peraturan presiden* (presidential regulation); PIU – project implementing unit; PMU – project management unit; PPCO – provincial project coordination office; RCBRB – Regional Capacity Building Review Board; RENSTRA – *rencana strategis* (strategic plan); SCBD – sustainable capacity building for decentralization;

Consultant Contract Dates and Contract Amounts

No.	Regional Government	Date of Short List ^a	Contract	
			Date of Contract Signing	Total Contract Amount ^b (Rp)
1.	Kab. Simalungun	18 Feb 2005	30 Oct 2006	8,724,507,000
2.	Kota Medan	18 Feb 2005	12 Jan 2007	9,548,770,000
3.	Kab. OKI	18 Feb 2005	13 Feb 2006	9,967,705,000
4.	Kota Palembang	20 May 2005	6 Jul 2006	7,432,191,663
5.	Kab. Lampung Utara	18 Feb 2005	14 Jun 2006	9,581,889,625
6.	Kab. Lampung Timur	18 Feb 2005	1 Mar 2006	9,254,124,000
7.	Kab. Lebak	18 Feb 2005	14 Mar 2006	9,103,704,500
8.	Kab. Bogor	18 Feb 2005	30 Jan 2006	10,272,927,500
9.	Kab. Garut	18 Feb 2005	23 Jan 2006	10,689,635,000
10.	Kab. Tasikmalaya	18 Feb 2005	13 Mar 2006	10,690,350,000
11.	Kab. Brebes	24 Feb 2005	18 May 2006	9,714,886,562
12.	Kab. Pematang	20 May 2005	28 Apr 2006	9,941,382,000
13.	Kab. Bantul	18 Feb 2005	1 Mar 2006	8,571,249,500
14.	Kab. Sleman	18 Feb 2005	7 Nov 2006	9,236,736,500
15.	Kab. Tapanuli Tengah	07 July 2006	20 Oct 2008	9,772,867,500
16.	Kab. OKU	07 July 2006	20 Oct 2008	10,845,772,300
17.	Kab. Lampung Selatan	07 July 2006	5 Dec 2008	10,002,540,737
18.	Kab. Subang	07 July 2006	20 Oct 2008	10,657,858,499
19.	Kab. Cirebon	07 July 2006	5 Dec 2008	8,542,729,800
20.	Kota Cirebon	10 July 2006	9 Dec 2008	8,931,940,900
21.	Kab. Banjarnegara	07 July 2006	23 Mar 2009	9,723,429,100
22.	Kab. Wonogiri	10 July 2006	20 Oct 2008	10,808,069,800
23.	Kab. Bojonegoro	07 July 2006	9 Dec 2008	9,815,381,501
24.	Kab. Lombok Tengah	07 July 2006	20 Oct 2008	9,294,117,082
25.	Kota Bau-Bau	07 July 2006	20 Oct 2008	11,117,640,304
26.	Kab. Buton	07 July 2006	20 Oct 2008	10,974,186,000
27.	Kab. Pandeglang	10 July 2006	3 Dec 2009	10,522,435,280
28.	Kab. Kuningan	07 July 2006	13 Oct 2009	10,088,530,940
29.	Kab. Klaten	07 July 2006	12 Oct 2009	10,794,430,431
30.	Kab. Sragen	04 July 2006	12 Oct 2009	9,710,158,810
31.	Kab. Gresik	10 July 2006	1 Sep 2009	10,782,943,600
32.	Kab. Sampang	10 July 2006	15 Sep 2009	8,995,204,800
33.	Kab. Nganjuk	10 July 2006	7 Oct 2009	8,614,094,500
34.	Kota Malang	07 July 2006	1 Sep 2009	9,848,731,596
35.	Kota Kediri	10 July 2006	11 Sep 2009	7,625,013,000
36.	Kab. Lombok Barat	10 July 2006	14 Sep 2009	9,179,888,850

No.	Regional Government	Date of Short List ^a	Contract	
			Date of Contract Signing	Total Contract Amount (Rp)
37.	Kab. Karo	07 Jul 2006	2 Aug 2010	4,913,251,681
38.	Prop. Sumatra Selatan	09 Dec 2009	17 Jun 2011	5,667,123,002
39.	Prop. Lampung	12 Sep 2009	31 May 2011	5,463,560,994
40.	Prop. Banten	02 Dec 2009	23 Jun 2011	4,419,651,500
41.	Prop. DI Yogyakarta	11 Nov 2009	14 Jun 2011	3,126,055,721
42.	Prop. East Java	11 Nov 2009	16 Jul 2011	3,846,403,578
43.	Prop. West Nusa Tenggara	03 Mar 2010	20 Sep 2011	3,531,963,200
44.	Prop. Southeast Sulawesi	09 Nov 2009	30 Jul 2011	3,572,929,052

Kab. = *kabupaten* (district), Prop.= *propinsi* (province).

^a Date of Asian Development Bank approval.

^b Lump-sum contracts entailed consulting services (team leader with fixed 30 man-months and 17 man-months intermittent sectoral specialists), trainings, non-training workshops, surveys, management information systems development.

Participants Receiving Rewards from Loan Savings Reallocation

No.	Regional Government	Contract		
		Start Date	End Date	Contract Amount (Rp)
1.	Kab. OKI	27 Jun 2011	3 Nov 2011	1,731,600,000
2.	Kab. Lebak	14 Jun 2011	26 Oct 2011	1,591,000,000
3.	Kab. Garut	1 Jun 2011	1 Nov 2011	1,876,160,000
4.	Kab. Tasikmalaya	6 Jul 2011	2 Nov 2011	1,859,096,000
5.	Kab. Brebes	18 Apr 2011	27 Oct 2011	1,724,692,000
6.	Kab. Pematang	12 May 2011	28 Oct 2011	1,310,848,000
7.	Kab. Bantul	20 May 2011	21 Oct 2011	1,418,296,000
8.	Kab. Sleman	27 Apr 2011	20 Oct 2011	1,774,036,000

Kab. = *kabupaten* (district).

List of Recruited Service Providers

No.	Name of Lead Firm	Areas or Regions Covered
1.	PT Escapindo Matra	Medan
2.	PT Duta Hari Murthi	Simalungun, Bantul
3.	PT Macon	Palembang, Bogor
4.	PT Reka Spasia Indonesia	OKI, Kuningan, Brebes, OKU
5.	BSU	Lampung Timur
6.	PT Adi Citra Mulyatama	Lampung Utara
7.	PT Cakra Hasta	Lebak, Rewards
8.	PT Ciriayasa Engineering	Garut, Rewards
9.	PT Inacon Luhur Pertiwi	Tasikmalaya, Rewards
10.	Idi Kajang	Brebes, Rewards, Lampung selatan, Prov Jatim
11.	PT Kogas Driyap	Pemalang
12.	PT Widya Graha Asana	Sleman, Rewards
13.	Surveyor Indonesia	Tapanuli Tengah
14.	Raya Konsult	Kab. Cirebon, Kota Cirebon
15.	Geosys	Subang, Sampang
16.	Sarana Budi	Banjarnegara
17.	Tata Guna P.	Bojonegoro
18.	Nincec	Bau bau
19.	Cita Laras	Karo
20.	Multidecon	Pandeglang, Klaten
21.	Inter Murti Planindo	Sragen
22.	Inersia	Gresik
23.	Ardes Perdana	Kediri
24.	Saka Buana	Malang
25.	Widha	Banten
26.	PPA	DI Yogyakarta
27.	Yodya K	Sulawesi Tenggara

Results of the Performance Audit Survey and Customer Satisfaction Survey¹

No.	Macro Indicator	Pre Survey (%) (before SCBD implementation)	Post Survey (%) (after SCBD implementation)
Performance Audit Survey			
1.	General Administration	58.98	68.04
2.	Financial Management	69.32	70.01
3.	Audit	73.72	84.82
4.	Legal	68.33	78.31
5.	Organizational Development	68.96	74.96
6.	HRMD	52.78	71.42
7.	Information and Communication	54.21	67.77
8.	Development Plan	74.80	81.43
9.	Program Implementation (including monitoring and evaluation)	78.48	85.02
10.	Procurement	75.98	82.96
CSS – Public Community (satisfaction level)			
1.	Basic Administration Services	57.14	56.82
2.	Public Infrastructure and Utilities	28.25	32.50
3.	Basic Social Services	37.00	39.00
4.	Basic Economic Support	38.50	41.00
CSS – Business Community (satisfaction level)			
1.	Basic Administration Services	47.55	61.52
2.	Public Infrastructure and Utilities	28.25	32.11
3.	Provincial/Local Government Programs in Certain Areas	13.00	29.55

CSS = customer satisfaction survey, HRMD = human resources management and development, SCBD = Sustainable Capacity Building for Decentralization (project).

¹ Data presented in the table above were generated from eight regions selected for availability of data. The regional governments were Kuningan, Nganjuk, Lombok Barat, OKU, Sumatra Selatan, Gresik, and Lombok Tengah.