

## Data Sheet

<b>USAID Mission:</b>	Indonesia
<b>Program Title:</b>	Strengthening Local Government
<b>Pillar:</b>	Democracy, Conflict and Humanitarian Assistance
<b>Strategic Objective:</b>	497-010
<b>Status:</b>	Continuing
<b>Proposed FY 2003 Obligation:</b>	\$6,910,000 DA; \$6,500,000 ESF
<b>Prior Year Unobligated:</b>	\$0
<b>Proposed FY 2004 Obligation:</b>	\$5,450,000 DA; \$10,000,000 ESF
<b>Year of Initial Obligation:</b>	FY 2000
<b>Estimated Completion Date:</b>	FY 2005

**Summary:** This program plays a critical role in strengthening the capacity of local governments to respond to the challenges posed by the deep and broad devolution of management and fiscal authority initiated by the central government in January 2001. The development of responsive and accountable local government is essential to re-building Indonesia as a democratic nation. USAID technical and training assistance aims to: (1) improve and monitor the effectiveness of decentralization policies, working at the national level in key ministries; (2) build local government capacity in participatory planning and transparent, accountable budgeting and financial management; (3) strengthen local government capacity to manage and deliver key services such as quality water and education; and (4) support independent local government organizations to be effective advocates and promote better ideas for improving local government management practices and policies.

### **Inputs, Outputs, Activities:**

#### **FY 2003 Program:**

National Decentralization Policy (\$500,000 DA; \$900,000 ESF). Technical assistance to the Ministry of Home Affairs and Ministry of Finance will improve fiscal and administrative decentralization policy and focus these ministries on facilitating local capacity-building rather than re-asserting central control. Support for the Indonesian Rapid Decentralization Appraisal (IRDA) will continue to provide the only source of information and analysis for national and local decision-makers on decentralization progress. USAID will support the establishment a local government credit market. (Research Triangle Institute, The Asia Foundation.)

Building Capacity in Participatory Planning and Budgeting (\$3,410,000 DA; \$4,100,000 ESF). USAID will provide assistance to more than 60 local governments to improve participatory planning, budgeting and financial management; and encourage the sharing and replication of innovative models and practices. The Resource Cities Program (RCP) will continue to foster linkages between U.S. and Indonesian local governments with resulting changes in the way local governments operate. (Research Triangle Institute, International City/County Management Association.)

Local Government Service Delivery: Water and Education (\$1,750,000 DA). USAID support will restructure local government water authorities into profit-making enterprises through direct assistance and dissemination of successful management models. USAID will expand a pilot effort launched in 2002 to strengthen local government capacity to manage and deliver quality basic education services, making public schools a more viable alternative to private religious educational institutions. (Urban Institute (prime), Chemonics (sub), Research Triangle Institute.)

Supporting Independent Local Government Organizations (\$1,250,000 DA; \$1,500,000 ESF). USAID will support associations of local government to ensure that views of local government and the public are channeled to decision-makers in Parliament and Government of Indonesia ministries. The Center for Local Government Innovation (CLGI) will receive support to establish itself as a promoter of improved

local government management practices and coordinate donor decentralization support. (International City/County Management Association, Urban Institute.)

**FY 2004 Program:**

National Decentralization Policy (\$1,000,000 DA; \$700,000 ESF). USAID intends to continue support to central government ministries engaged in decentralization policy and extend the Indonesian Rapid Decentralization Appraisal. DA resources will strengthen the impact of decentralization policy and better coordinate donor policy inputs.

Building Capacity in Participatory Planning and Budgeting (\$1,700,000 DA; \$5,400,000 ESF). USAID intends to expand assistance through a national "roll-out" of a participatory development planning model and performance budgeting tools to more than 100 additional local governments through the provision of workshops and limited advisory services. USAID will initiate a broader program to reduce corruption and increase efficiency through improved management and planning.

Local Government Service Delivery (\$1,500,000 DA; \$2,650,000 ESF). DA and ESF resources would allow USAID to expand its basic education program and provide technical assistance to local governments to improve other basic services such as solid waste and sanitation.

Supporting Independent Local Government Organizations (\$1,250,000 DA; \$1,250,000 ESF). USAID intends to intensify assistance to the Center for Local Government Innovation on taking steps towards self-sustainability.

**Performance and Results:** USAID is recognized as a leading donor supporting decentralization and the development of effective local government. A donor team, led by USAID, promoted improvements in administrative decentralization that clarified local government functions and established minimum service standards. USAID assistance to the Ministry of Home Affairs resulted in favorable regulations governing local government budgeting and financial management. The GOI and the international community regard USAID's IRDA as the only source of quality information and analysis on how decentralization is actually being implemented in the regions.

USAID technical assistance and training is directly benefitting nearly 80 local governments throughout the archipelago, building capacity to provide more effective services that are planned, budgeted, financed, and implemented with increasing levels of effectiveness, citizen participation, and transparency. Local governments that introduced performance budgeting in one or two sectors are now rapidly expanding the concepts and practices to all sectors of the municipal budget, relying on USAID models and training. USAID's efforts in the water sector enabled five failing water enterprises to become profitable for the first time, while adding 600,000 new consumers. The program has partnered Indonesian local governments with nine counterparts in Oregon, California, Texas, and Georgia. A series of exchanges between Bekasi, a Jakarta suburb of several million people, and Gresham, Oregon resulted in innovative solutions to Bekasi's traffic congestion. Less tangible but nevertheless important, Indonesian officials and their American counterparts are gaining a deeper understanding of cultural differences and ways of doing business. Each Resource Cities exchange generates substantial media and press coverage in both Indonesia and the United States. Enhanced understanding and respect contributes to better relations between the two countries.

USAID helped the three leading local government associations demonstrate greater awareness of their role in decentralization and increased their ability to serve as advocates. They put forward position statements and successfully petitioned to halt efforts to re-centralize government authority in 2002. The USAID-sponsored CLGI has begun to play a key role in helping local governments improve their management practices and in supporting local government associations in policy analysis and planning.

## US Financing in Thousands of Dollars

Indonesia

	DA	ESF
497-010 Strengthening Local Government		
<b>Through September 30, 2001</b>		
Obligations	57,615	2,500
Expenditures	43,355	0
Unliquidated	14,260	2,500
<b>Fiscal Year 2002</b>		
Obligations	8,296	6,000
Expenditures	12,913	1,560
<b>Through September 30, 2002</b>		
Obligations	65,911	8,500
Expenditures	56,268	1,560
Unliquidated	9,643	6,940
<b>Prior Year Unobligated Funds</b>		
Obligations	0	0
<b>Planned Fiscal Year 2003 NOA</b>		
Obligations	6,910	6,500
<b>Total Planned Fiscal Year 2003</b>		
Obligations	6,910	6,500
<b>Proposed Fiscal Year 2004 NOA</b>		
Obligations	5,450	10,000
Future Obligations	0	0
Est. Total Cost	78,271	25,000