



Decentralized Poverty Reduction Strategy Trough Minimum Service Standard(MSS): Experience from Indonesia

August 06, 2006

Discussion Agenda

- Background
- Process and Outputs
- Links to Local Budget and Policy
- Links to The National PRS
- Lessons Learned
- What's next?

Since 1999 Indonesia has been going through democratization and decentralization processes

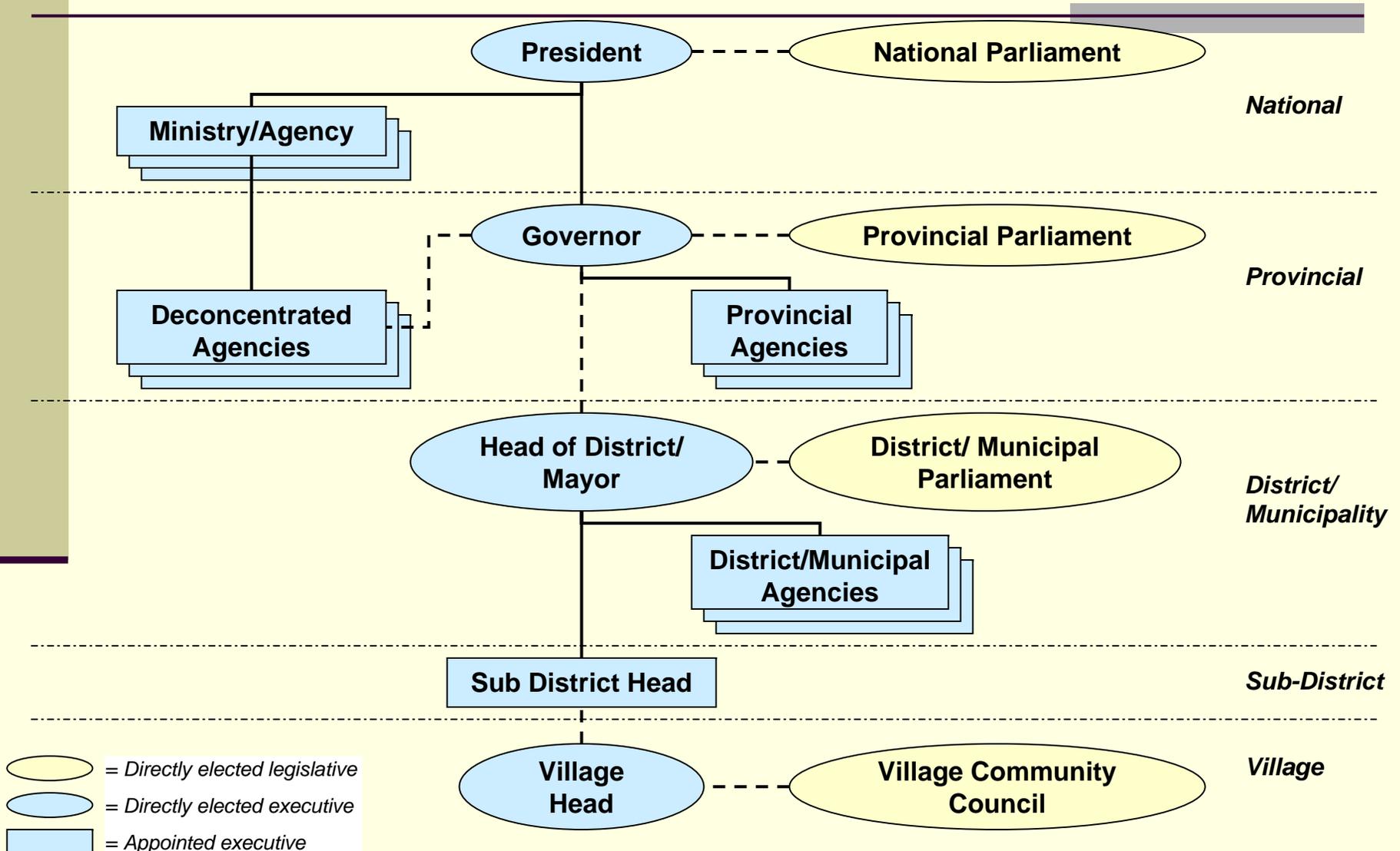
Democratization

- ▶ Freedom of press
- ▶ Freedom to establish political parties
- ▶ Free elections (1999 and 2004)
- ▶ Direct presidential election (2004) and provincial governor, district head and mayor elections (starting June 2005)

Decentralization

- ▶ Autonomy at district/municipal level
- ▶ Block grant to provincial and district/municipal governments
- ▶ Budgeting and local legislation power
- ▶ New structure of village government
- ▶ Accountability of head of district/mayor to the people through local parliament (before direct election in 2005)

The Indonesian administration system has changed as results of decentralization and democratization



There are several challenges for intervention to improve governance

- New structure of local governance: from accountability to central government to the people – local executive and legislative need support
- Good governance has been a national discourse – bad governance was considered a major contributor to the 1997 economic crises
- Some reform-minded local governments have already taken reform initiatives – need to encourage peer learning and to deepen reforms
- The central government and donors (mainly the World Bank, ADB, JBIC) have been initiating community-driven development (CDD) projects since 1990s – need to build up the community democratization principles to local government level to ensure sustainability
- Although poverty is a big problem, most of local governments do not have pro-poor policy and budget
- Wide windows of opportunities to test out reforms and to create model– local government can do anything except those against national laws and regulations

Principles of Regional Autonomy

Widest ranging Autonomy

= all government functions except those determined as central government functions in Law 32/2004 are distributed among levels of administration

Real Autonomy

= government functions are being implemented based on tasks, responsibilities, and obligations which have the potentials to grow and develop in line with regional potentials and regional characteristics

Responsible Autonomy

= the ultimate goals of transferring government functions from central government to sub-national governments are to empower regions including to increase the welfare of the people of the regions.

Minimum Service Standard (MSS)

Policy about types and quality of basic services that every citizen should obtain which are considered as obligatory functions of Local Government

CHANGE OF PARADIGM

- The implementation of *good governance*, especially aspects of transparency and accountability
- *Service delivery and partnership approach, instead of authoritative approach.*
- The dynamics of globalization insists the government performance professionally, to provide service delivery to the community as well as their stakeholders.
- The commitment of Central and Local Government in implementing decentralization in the framework of Republic Indonesia.

The ESSENCE OF DECENTRALIZATION

- The delivery as well as capacity improvement of Central and Local Government in managing the government function which is the rights of community and cooperation amongst government stakeholders.
- Urgent tasks in reducing disparity of development attainment in Indonesia which is conducted in realistic, gradual and sustainable manner.

CONCEPTS OF FUNCTIONS AND SERVICES IN THE LAW No. 32 YEAR 2004

- Strengthening the cooperation amongst regions especially on public service delivery
- Regions are compelled to deliver collectively their government functions which are inefficient if they are delivered individually.
- Preventing the occurrence of *high cost economy* through the management of function and collective service delivery.
- Prevent cross-impact activities which are inefficient for the region.

DISTRIBUTION OF GOVERNMENT FUNCTION

- Distributed based on such criteria as externalities, accountabilities, and efficiency.
- Considering the synergic relations among the government level, where the authority between central government, provincial government, district/city government, or among the governments.
- Considering interconnection, interrelation, and synergy as a whole sistem of the government.

DEFINITION OF GOVERNMENT FUNCTION

- Government functions become the rights and obligation for each governmental stage and/or level.
- Regulating and functioning these government functions which belong to their authority in order to protect, serve, empower and increase the welfare of the community.

OBLIGATORY FUNCTION

- Intended to protect the constitutional rights of citizens, to secure national preferences, as well as to create the common livelihood and manner.
- An assurance in guarding the nation of Republic Indonesia, as well as the national commitment as a global community in succeeding the international agreement and convention.

OBLIGATORY FUNCTION AND MINIMUM SERVICE STANDARD

- Government functions which are obligatory to conduct.
- Related to the delivery of basic services.
- If agreed as a basic service it has to apply the Minimum Service Standard.
- Obligatory function, basic service and Minimum Service Standard are performed gradually and decided by the Central Government.

“National Strategy for Poverty Reduction”.

Why do a local PRS?

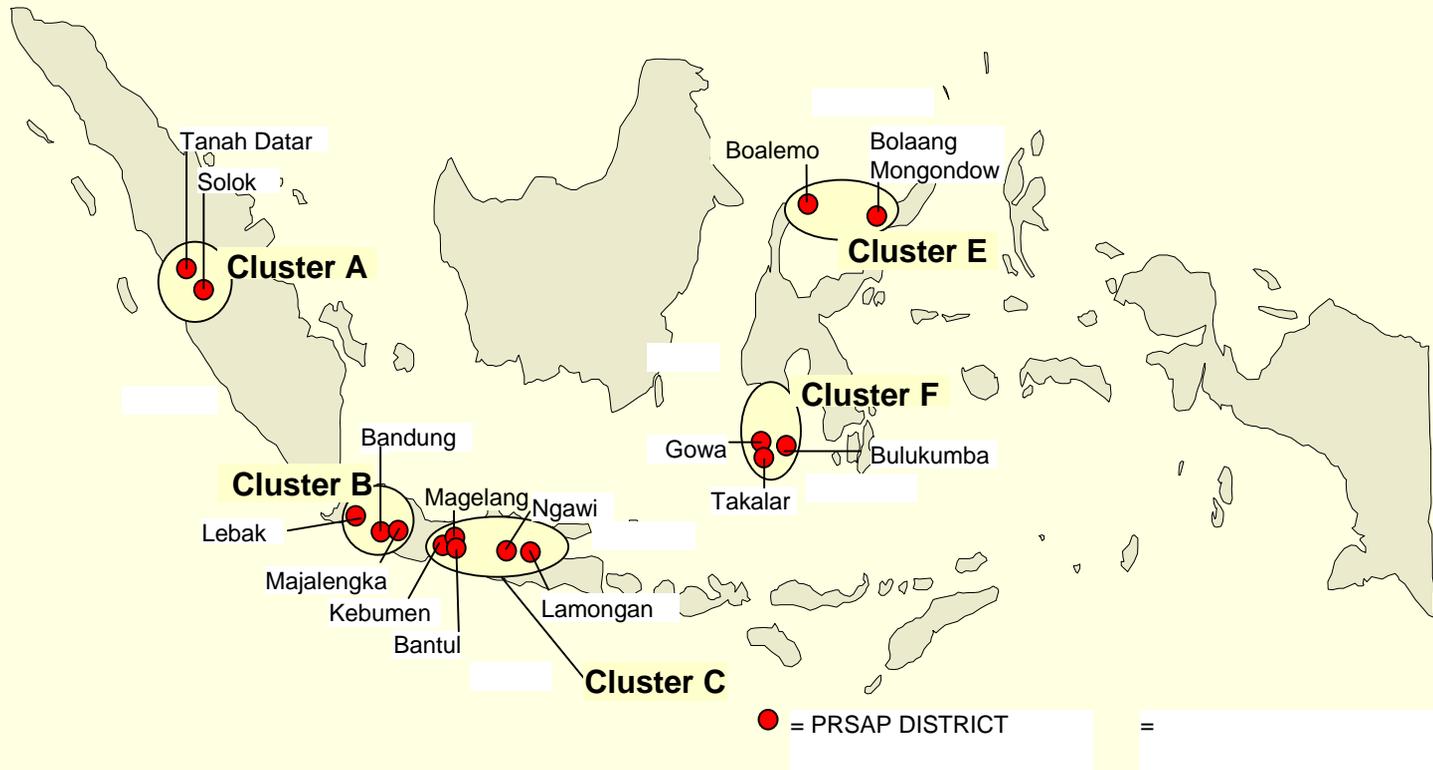
- The National Government started formulating a National PRS⁽¹⁾ in 2002, finalized in late 2004.
- As a part of the National PRS formulation process, Participatory Poverty Assessments (PPAs) were conducted in the regions to provide a better understanding of the local situation and needs
- In the decentralized environment, the Central Government requested Local Governments to prepare regional PRS (at provincial and district levels):
 - Many of the responsibilities for addressing multi-dimensional aspects of poverty had been devolved to the local level and/or were at the minimum a shared responsibility
 - Diverse conditions –largest poverty numbers on Java, but highest incidence off-Java– require local poverty diagnosis at local level
 - With decentralized planning and budgeting process, it would be more strategic to influence policies and budget at local level

(1) Official title of Indonesian PRS is “National Strategy for Poverty Reduction”. However, we use a more generic term “National PRS” in this document.

Who? When?

- Who has been preparing the local PRS?
 - A multi-stakeholder working group with members from LG officials, local parliament members, NGO and community representatives → voluntary work!
- How do we support them?
 - 1 general facilitator for each district
 - Training and workshops (at local or regional level)
 - Backstopping from national consultants (1 covers 5-6 districts)
- When?
 - March 2003-December 2004

Where? 15 districts in 9 provinces in Indonesia (Sumatera, Java and Sulawesi)



Local Poverty Reduction Strategy and Action Plan (PRSAP) Formulation Framework

PHASE 1 Preparation	PHASE 2: Assessment and Analyses	PHASE 3: Strategy & Action Plan Formulation	PHASE 4: Institutionalization
<ul style="list-style-type: none"> ▶ Public meeting (multi-stakeholders forum) to establish Poverty Working Group (PWG) ▶ Legalization of PWG ▶ Preparation of work plan 	<ul style="list-style-type: none"> ▶ Preliminary Analysis of district poverty (secondary data) ▶ Public consultation on Preliminary Analysis and Selection of Sites ▶ PPA in selected sites (based on typology of poverty) ▶ Analysis to formulate Problem Statements ▶ Public consultation on Problem Statements 	<ul style="list-style-type: none"> ▶ Formulation of PRS ▶ Public consultation on the Strategy ▶ Formulation of Action Plan ▶ Public consultation on the Action Plan and overall PRSAP 	<ul style="list-style-type: none"> ▶ Legalization of PRSAP (through District Head Decree or Local Regulation) ▶ Implementation of PRSAP through local planning and budgeting mechanism

Training

**Training/
workshop &
backstopping**

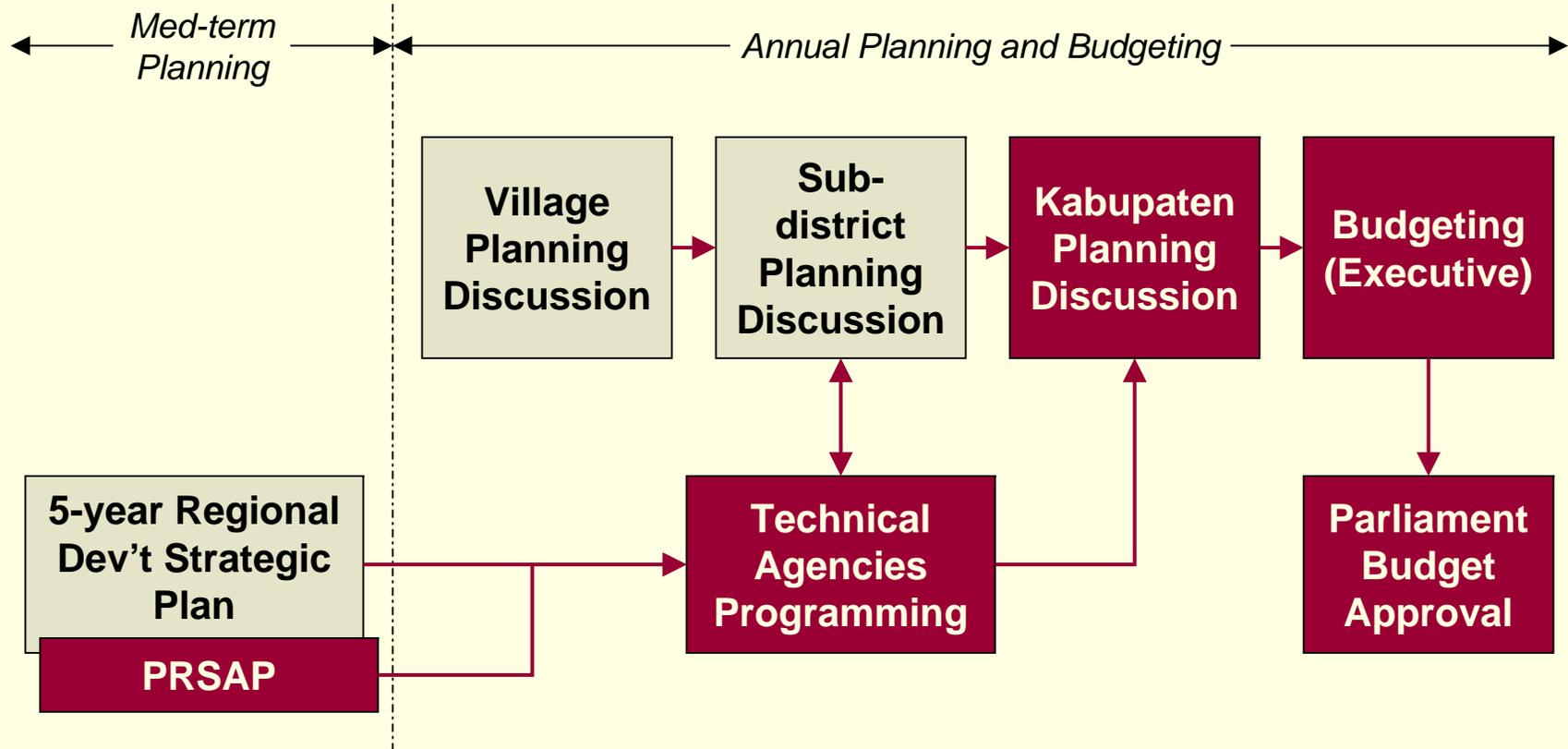
**Training/
workshop &
backstopping**

**Workshop &
Backstopping**

PRSAP outputs and outcomes

- 15 districts have finalized the PRSAP – 8 of which have already been legalized through District Head (Bupati) Decree, which has budget implications
- Starting in 2005 budgeting process, PRSAP is one of the references → *Let's see how this will influence the budget—to be monitored*
- Space established to allow non-government stakeholders to interact with the executive and legislative and, more importantly, to influence decision making process
- Build local stakeholders (particularly gov't official) capacity in participatory process. On the other hand, gives opportunities for the poor (incl. women) to participate in district-level policy formulation
- The 15 districts get recognition from Central and Provincial Government, other donors, and other stakeholders (e.g., resource persons to share experiences in workshop/training, local government officials promoted and elected as local parliament members)
- Results of PRSAP process feed into National PRS

How is the PRSAP reflected in Local Budgeting?



Legend:

= regular process

= ILGR intervention

Local policy: view of the poor starts being accommodated

- Education:
 - More incentives for teachers working in isolated areas
- Land:
 - Participatory local regulation formulation on spatial planning that protects communities' interest
- Environment:
 - Formulation of local regulation and law enforcement on river pollution
 - Formulation of local regulation on forest management
- Access to capital:
 - Policy formulation on the poor's access to capital

Examples of findings included in National PRS

Findings	National PRS – 10 Rights
<ul style="list-style-type: none"> • High cost of medication and insufficient supply of health cards (to get free health services) • Lack of incentive policy for health workers working in poor and isolated areas 	<ul style="list-style-type: none"> ■ Access to Food ■ Access to Basic Health Services ■ Access to Education
<ul style="list-style-type: none"> • High transportation costs to go to school • High costs of school uniforms and books 	<ul style="list-style-type: none"> ■ Access to Job Opportunities and Business Development
<ul style="list-style-type: none"> • Water springs damaged by logging • Lack of policy to protect water springs 	<ul style="list-style-type: none"> ■ Access to Housing and Sanitation ■ Access to Safe Water
	<ul style="list-style-type: none"> ■ Access to Land Ownership ■ Access to Natural Resources ■ Access to Security ■ Access to Participation

General “weaknesses” of the PRSAPs

- Tendency to cover everything, difficult to prioritize
- Not enough details in action plans
- Difficult to maintain logical links from finding, analysis, strategy and action plans – needs continued feedback
- Method to analyze district level data (quantitative and qualitative) and to link it to community level findings need to be strengthened and simpler
- Need to improve methodology in gender analysis

What we learned from the process?

- District-level stakeholders have capacity to formulate local PRSAP in participatory manner and are willing to work voluntarily as long as they get “right” facilitation and support
- PRSAP formulation process took almost 2 years (!). Despite “trial and error” exercise, participatory policy formulation practices need time.
- Need to prioritize (and simplify) the tools and methodology in conducting PPA and formulating PRSAP
- Pre-commitment from the heads of local executive and legislative is extremely important. Not only to support the formulation (e.g., staff and budget), but, more importantly, is the will to implement PRSAP through budgets
- Learning from other districts is more effective and needs technical facilitation to allow for a well structured learning process
- Sustainable implementation of PRSAP needs minimum level of good governance
- Timing is critical: the beginning of the head of district’s and local parliament’s period is the best time to formulate PRSAP

Looking forward.....1

- Use of local PRSAP formulation framework, manuals and training/ workshop modules in other regions, as well as district-level knowledge
- Policy dialogue in resolving local-level poverty issues which are a part of national government mandate (e.g., public forest area utilization)
- Continue facilitating districts to implement PRSAPs
- Monitor and evaluate the implementation of PRSAPs (e.g., whether the pro-poor budget portion increases?)
- Enhance participatory planning and budgeting process
- Support cross-district learning

Looking forward.....2

- Establishing more regulation on Implementing MSS
- Do some exercise with Sector Ministries as part of Formulating MSS
- Encourage Local Government to Integrate MSS together with PRSAP into Medium Term Development Planning
- Ensure that Local Government have enough Capacities in Planning and Implementing PRSAP and MSS by doing Capacity Building.



Thank You

Terima Kasih

International boundaries
Political boundaries
POPULATION (thousands)
Major cities
Scale: 1:5,000,000
Coordinates: 100°E 110°E 120°E 130°E 140°E 150°E