Alternative Mechanisms of Service Delivery

Blue Print for Promoting AMSD

June 2009
FOREWORD

This Report presents a plan for improving service delivery in regional governments using a set of strategies that are commonly found in an approach described as “alternative mechanisms of service delivery” (AMSD). The Report has been prepared as part of a contract between the Decentralization Support Facility (DSF) and Hickling Corporation of Canada. The Report aims to show how, through a series of coordinated programs / activities, the central government can play a more active role in helping regional governments improve service delivery.

The objectives in relation to promoting alternative mechanisms for service delivery (AMSD) within regional governments are:

(i) assistance to government in the rationalization of different institutional arrangements for the delivery of sub-national public services; and

(ii) aid in the development and implementation of new (contracting) methods for service delivery.

The Draft Report has been prepared some 12 months into the contract and this final version at Month 18. The main documents prepared to date are:

<table>
<thead>
<tr>
<th>Document</th>
<th>English</th>
<th>Indonesian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Terms of Reference</td>
<td>15 May 08</td>
<td></td>
</tr>
<tr>
<td>Short Description of the Project</td>
<td></td>
<td>15 May 08</td>
</tr>
<tr>
<td>Inception Report</td>
<td>10 Feb 09</td>
<td>10 June 08</td>
</tr>
<tr>
<td>Initial Assessment – Theory and Practice of AMSD</td>
<td>15 May 08</td>
<td>10 June 08</td>
</tr>
<tr>
<td>Initial Assessment – Regulatory Instruments</td>
<td>15 May 08</td>
<td>10 June 08</td>
</tr>
<tr>
<td>Checklist of AMSD Strategies</td>
<td>1 Nov 08</td>
<td>15 Nov 08</td>
</tr>
<tr>
<td>Description of the Eight (8) AMSD Strategies</td>
<td>1 Dec 08</td>
<td>15 Dec 08</td>
</tr>
<tr>
<td>Draft Blueprint for Improving Service Delivery using Alternative Mechanisms of Service Delivery</td>
<td>30 Jan 09</td>
<td>28 May 09</td>
</tr>
<tr>
<td>Draft Plan for Piloting Alternative Mechanisms of Service Delivery</td>
<td>30 Jan 09</td>
<td></td>
</tr>
<tr>
<td>Workbook for Pilot Design Workshop – PDAM Cilegon</td>
<td>24 Feb 09</td>
<td></td>
</tr>
<tr>
<td>Workbook for Pilot Design Workshop – RSUD Lebak</td>
<td>3 Mar 09</td>
<td></td>
</tr>
<tr>
<td>Workbook for Pilot Design Workshop – Population Administration Office, Kabupaten Serang</td>
<td>11 Mar 09</td>
<td></td>
</tr>
<tr>
<td>Assessment of Legal and Regulatory Framework</td>
<td>13 May 09</td>
<td></td>
</tr>
<tr>
<td>Final Blueprint for Improving Service Delivery using Alternative Mechanisms of Service Delivery</td>
<td>4 June 09</td>
<td></td>
</tr>
<tr>
<td>Final Report</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Nb: This list does not include materials for 8 presentations made to Dec 31, 08
The study has proposed eight basic strategies that are believed to cover the key features of AMSD as it may be applied in Indonesia. The eight (8) strategies of AMSD are:

Strategy 1 - Clarifying roles, objectives, accountability and authority
Strategy 2 – Paying for performance, including cost-reflective pricing of services
Strategy 3 - Raising the consequences of good or bad service (rewards and punishment)
Strategy 4 - Putting the customer “in the driving seat”
Strategy 5 – Empowering Service Delivery Organizations and Employees (without losing control over policy)
Strategy 6 - Changing Service Deliverer Organizational Culture
Strategy 7 – Changing Sector Structure
Strategy 8 - Involving the Community and Private Sector.

A key tool in the deployment of these strategies is the use of a “Flexible Performance Agreement” (often called a “Performance Contract”) between the “owner” and the “operator”. This agreement provides a mechanism to mobilize the “meta-strategy” of AMSD (providing more autonomy to the operator in return for increased accountability).

This Report aims to outline the most important programs / activities that central government might undertake to help regional governments systematically improve service delivery, which after all, is one of the key objectives of the decentralization policy. It hopefully provides the basis for a system of improving service delivery.

It is structured as follows:

1. A brief review the background to AMSD, the stakeholder interests and the current state of the service delivery improvement initiatives.
2. An outline of a future state or “scenario” for management of the system.
3. Identification of the “gaps” and so strategies and supporting activities needed to reach this future state.
4. The need for human and financial resources to implement the Blueprint.
5. Recommendations on matters of implementation, monitoring and maintenance of the system.

This final section is in recognition that planning is nothing without good implementation and learning from experience.
ACKNOWLEDGEMENTS

Particular thanks are due to personnel of the Sub-directorate for General Public Service (Subdit PUP) within the Directorate for Deconcentration and Cooperation, Directorate General for General Government, Department of Home Affairs (DEPDAGRI). Their time and frank discussions of their experience, problems and perceived challenges with respect to management and development of systems for improving service delivery are particularly appreciated.

Generous acknowledgement is also due to Jana Hertz, Erita Nurhalim and other staff of the Decentralization Support Facility, who have patiently followed development of the initiative and supported the Consultant on many occasions.

A special acknowledgement is also due to the Directorate General of Regional Autonomy (OTDA) of DEPDAGRI for alerting the Consultants to the document “Grand Strategy for Implementation of Regional Autonomy”, and in particular pointing out the importance of clarifying functional assignments and the ideas in Element 6 (re-structuring service delivery). The Blueprint builds on these ideas.

Gratitude is also expressed to regional government personnel from Kota Cilegon, Kabupaten Lebak and Kabupaten Serang, as well as the Province of Banten, whose participation and feedback in the pilot planning workshops in February and March 2009 have convinced the Consultants of the validity of the proposed strategies.
# LIST OF TERMS AND ABBREVIATIONS

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>accountability</td>
<td>Responsibility for an activity, accompanied by rewards and recognition for good performance, and adverse consequences for performance that is unreasonably poor</td>
</tr>
<tr>
<td>AMSD</td>
<td>Alternative Mechanisms of Service Delivery</td>
</tr>
<tr>
<td>APBD</td>
<td>Regional budget</td>
</tr>
<tr>
<td>APBN</td>
<td>National budget</td>
</tr>
<tr>
<td>Badan</td>
<td>A organizational body or board of government, generally intended to be independent in terms of professional decision making</td>
</tr>
<tr>
<td>BAKD</td>
<td>Directorate General for Regional Financial Management, Department of Home Affairs</td>
</tr>
<tr>
<td>BAPPEDA</td>
<td>A regional government planning board</td>
</tr>
<tr>
<td>BAPPENAS</td>
<td>The Indonesian National Development Planning Agency</td>
</tr>
<tr>
<td>BAWASDA</td>
<td>The internal audit body of regional governments</td>
</tr>
<tr>
<td>BHP</td>
<td><em>Badan Hukum Pendidikan</em>, autonomous educational entities able to be created under Law 9/2009</td>
</tr>
<tr>
<td>BIGG</td>
<td>Building Institutions of Good Governance, a USAID funded project completed in 2004</td>
</tr>
<tr>
<td>BKD</td>
<td><em>Badan Kepegawaian Daerah</em>, the human resource management office of regional governments</td>
</tr>
<tr>
<td>BLU</td>
<td><em>Badan Layanan Umum</em>, a semi-autonomous service delivery agency of a national department able to be created under PP 23/2005</td>
</tr>
<tr>
<td>BLUD</td>
<td><em>Badan Layanan Umum Daerah</em>, a semi-autonomous service delivery agency of a regional government dinas able to be created under PP 23/2005</td>
</tr>
<tr>
<td>BOS</td>
<td><em>Biaya Operasional Sekolah</em>, a national fund for subsidizing school operations</td>
</tr>
<tr>
<td>BPK</td>
<td><em>Badan Pemeriksa Keuangan</em>, the national audit office</td>
</tr>
<tr>
<td>BPKP</td>
<td><em>Badan Pemeriksa Keuangan Pembangunan</em>, the national internal auditor for development projects</td>
</tr>
<tr>
<td>BPPSPAM</td>
<td>A body managed by the Department of Public Work for promoting and</td>
</tr>
</tbody>
</table>

Note: Strategic planning, organizational development and change, and quality management systems can have a bewildering vocabulary. In an attempt to maintain readability, terms as used by ISO 9000:2000 have been adopted as much as possible. Indonesian Standard SNI 19000:2000 concerning quality management systems is identical to this standard.
regulating water supplies

<table>
<thead>
<tr>
<th>Term</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUMD</td>
<td><em>Badan Umum Milik Daerah</em>, a regional government–owned enterprise</td>
</tr>
<tr>
<td>BUMN</td>
<td><em>Badan Umum Milik Negara</em>, a national government–owned enterprise</td>
</tr>
<tr>
<td>Bupati</td>
<td>Political and administrative Head of a district</td>
</tr>
<tr>
<td>CEO</td>
<td>Chief Executive Officer</td>
</tr>
<tr>
<td>CIDA</td>
<td>Canadian International Development Agency</td>
</tr>
<tr>
<td>contractualization</td>
<td>A form of AMSD particularly practiced in New Zealand</td>
</tr>
<tr>
<td>corporatization</td>
<td>Restructuring SDOs into autonomous corporate form</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>Customer’s perception of the degree to which the customer’s requirements have been fulfilled</td>
</tr>
<tr>
<td>daerah</td>
<td>regional</td>
</tr>
<tr>
<td>DAK</td>
<td><em>Dana Alokasi Khusus</em>, a special purpose grant from central government</td>
</tr>
<tr>
<td>DEPDAGRI</td>
<td>Department of Home Affairs</td>
</tr>
<tr>
<td>desa</td>
<td>Village (over 70,000 in Indonesia)</td>
</tr>
<tr>
<td>Diklat</td>
<td>Training and education body of a government or a agency of government</td>
</tr>
<tr>
<td>diklatan</td>
<td>The activity of training and education</td>
</tr>
<tr>
<td>Dinas</td>
<td>The most common organizational form for a Service Delivery Organization of regional government</td>
</tr>
<tr>
<td>DKI</td>
<td><em>Daerah Khusus Induk</em>; the Special Region (of Jakarta)</td>
</tr>
<tr>
<td>DPOD</td>
<td><em>Dewan Pertimbangan Otonomi Daerah</em>, an interministerial committee chaired by the Minister of Home Affairs to advise the President on policy with respect to decentralization</td>
</tr>
<tr>
<td>DPRD</td>
<td>Regional parliament</td>
</tr>
<tr>
<td>DPU</td>
<td>Department of Public Works</td>
</tr>
<tr>
<td>Ducapil</td>
<td>Dinas in regional government concerned with population administration</td>
</tr>
<tr>
<td>effectiveness</td>
<td>Extent to which planned activities are realized and planned results achieved</td>
</tr>
<tr>
<td>Efficiency</td>
<td>Relationship between the result achieved and the resources used</td>
</tr>
<tr>
<td>EIA</td>
<td>Environmental Impact Assessment</td>
</tr>
<tr>
<td>FPA</td>
<td>Flexible Performance Agreement</td>
</tr>
<tr>
<td>goal</td>
<td>The result that a programme or organization aims to accomplish</td>
</tr>
<tr>
<td>GRS</td>
<td>Governance Reform Support Project funded by CIDA and implemented by Hickling Corporation; concerned with improvement of the core</td>
</tr>
<tr>
<td>Term</td>
<td>Description</td>
</tr>
<tr>
<td>--------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>administrative capacity of government with respect to regional government</td>
<td></td>
</tr>
<tr>
<td>ICT</td>
<td>Information, Communications Technology</td>
</tr>
<tr>
<td>indicator</td>
<td>A parameter useful for determining the degree to which and organization has achieved its goals or objectives</td>
</tr>
<tr>
<td>Inpres</td>
<td>Presidential Instruction</td>
</tr>
<tr>
<td>IRR</td>
<td>Internal Rate of Return</td>
</tr>
<tr>
<td>ISO</td>
<td>International Standards Organization</td>
</tr>
<tr>
<td>issue</td>
<td>A fundamental policy question or challenge that affects the success of a program. It involves conflicts of one sought or another</td>
</tr>
<tr>
<td>kabupaten/kota</td>
<td>Local level regional government</td>
</tr>
<tr>
<td>Kecamatan</td>
<td>The next administrative unit below kabupaten/kota</td>
</tr>
<tr>
<td>Kelurahan</td>
<td>An urban village, below kecamatan level</td>
</tr>
<tr>
<td>Kepmenkes</td>
<td>Decree of the Minister of Health</td>
</tr>
<tr>
<td>Keppres</td>
<td>Decree of the President</td>
</tr>
<tr>
<td>Keputusian</td>
<td>Decision</td>
</tr>
<tr>
<td>Kewajiban</td>
<td>Obligation</td>
</tr>
<tr>
<td>key</td>
<td>Something that is crucial in providing an explanation or interpretation</td>
</tr>
<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
</tr>
<tr>
<td>krismon</td>
<td>Local term for describing the economic crisis that struck Indonesia in 1998</td>
</tr>
<tr>
<td>langsung</td>
<td>Direct (cost)</td>
</tr>
<tr>
<td>LNDP</td>
<td><em>Lembaga Non-Department Pemerintah</em>, a non-departmental organization of Government</td>
</tr>
<tr>
<td>management</td>
<td>coordinated activities to direct and control an organization</td>
</tr>
<tr>
<td>MENPAN</td>
<td>The State Ministry of Administrative Reform</td>
</tr>
<tr>
<td>MoF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MOHA</td>
<td>Ministry of Home Affairs (DEPDAGRI)</td>
</tr>
<tr>
<td>MTEF</td>
<td>Medium Term Expenditure Framework, a budgeting tool for linking planning and budgeting</td>
</tr>
<tr>
<td>non-conformity</td>
<td>Non-fulfillment of a requirement (or a specified need)</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
</tr>
<tr>
<td>NPM</td>
<td>New Public Management, another term for AMSD perhaps focusing more on managerial aspects</td>
</tr>
<tr>
<td>NSPK</td>
<td>Norms, Standar, Prosedur dan Kriteria: norms, standards procedures and criteria, a new term in legislation in Indonesia describing the general structure of legislation</td>
</tr>
<tr>
<td>objective</td>
<td>A statement of a desired result to be achieved (often within a specified time)</td>
</tr>
<tr>
<td>Ortala</td>
<td>The regional government organization responsible for organizational design</td>
</tr>
<tr>
<td>PBB</td>
<td>Performance Based Budgeting</td>
</tr>
<tr>
<td>PDAM</td>
<td>“Perusahaan Daerah Air Minum”, or Regional Water Company, owned by local government of the area in which it operates</td>
</tr>
<tr>
<td>pelayanan</td>
<td>Service</td>
</tr>
<tr>
<td>pembantuan</td>
<td>Assistance</td>
</tr>
<tr>
<td>PEMDA</td>
<td>Pemerintah Daerah, regional government the owners of most regional SDOs</td>
</tr>
<tr>
<td>Peraturan</td>
<td>Regulation</td>
</tr>
<tr>
<td>PERDA</td>
<td>Local law</td>
</tr>
<tr>
<td>performance</td>
<td>The degree to which an objective has been achieved</td>
</tr>
<tr>
<td>Pergub</td>
<td>Governor’s Regulation</td>
</tr>
<tr>
<td>Permen</td>
<td>Ministerial Regulation</td>
</tr>
<tr>
<td>Permendagri</td>
<td>Regulation of the Minister of Home Affairs</td>
</tr>
<tr>
<td>Permeneg</td>
<td>Regulation of a State Minister</td>
</tr>
<tr>
<td>PermenEKON</td>
<td>Regulation of the Minster for Coordination of Economic Affairs</td>
</tr>
<tr>
<td>PERPAMSI</td>
<td>The National Association of Water Companies</td>
</tr>
<tr>
<td>Perpres</td>
<td>Presidential Regulation</td>
</tr>
<tr>
<td>PMK</td>
<td>Regulation of the Minister of Finance</td>
</tr>
<tr>
<td>PNPM</td>
<td>Program National Pembangunan Mandiri, the national community development program</td>
</tr>
<tr>
<td>policy</td>
<td>A statement of intent by top management</td>
</tr>
<tr>
<td>PON</td>
<td>Pekan Olah Raga National; a sports carnival organized two years by a province on a rotating basis</td>
</tr>
<tr>
<td>PP</td>
<td>Peraturan Pemerintah a Government Regulation, one less in the legal hierarchy than a Law</td>
</tr>
<tr>
<td>Term</td>
<td>Definition</td>
</tr>
<tr>
<td>------------------</td>
<td>-----------------------------------------------------------------------------</td>
</tr>
<tr>
<td>procedure</td>
<td>Specified way of carrying out an activity or process</td>
</tr>
<tr>
<td>process</td>
<td>Set of interrelated activities that transforms inputs into outputs</td>
</tr>
<tr>
<td>product</td>
<td>Result of the Benchmarking System’s) processes</td>
</tr>
<tr>
<td>PSO</td>
<td>Public Service Obligation, a performance based subsidy</td>
</tr>
<tr>
<td>PUM</td>
<td>The Directorate General of the Ministry of Home Affairs responsible for</td>
</tr>
<tr>
<td></td>
<td>general affairs of regional government, including service delivery</td>
</tr>
<tr>
<td>quality</td>
<td>The degree to which a set of inherent characteristics fulfils requirements</td>
</tr>
<tr>
<td>quality management</td>
<td>Coordinated activities to direct and control and organization with regard to</td>
</tr>
<tr>
<td></td>
<td>quality policy, objectives, planning, control, assurance and improvement</td>
</tr>
<tr>
<td>requirement</td>
<td>A need or expectation that is stated; generally implied (by custom or</td>
</tr>
<tr>
<td></td>
<td>common practice) or obligatory</td>
</tr>
<tr>
<td>result</td>
<td>An output or outcome that is being strived for</td>
</tr>
<tr>
<td>Rp</td>
<td>Indonesia currency of Rupiah</td>
</tr>
<tr>
<td>Rp M</td>
<td>A unit of one million rupiah</td>
</tr>
<tr>
<td>SDO</td>
<td>Service Delivery Organization: can be a dinas, a UPT, “office” (kantor)</td>
</tr>
<tr>
<td></td>
<td>BLUD, BUMD, a public private partnership, individual or corporate entity</td>
</tr>
<tr>
<td></td>
<td>that delivers service to the public</td>
</tr>
<tr>
<td>SMART</td>
<td>An acronym for Simple, Measurable, Accessible, Relevant and Timely, which</td>
</tr>
<tr>
<td></td>
<td>are the criteria for good objectives and for good performance indicators</td>
</tr>
<tr>
<td>stakeholder</td>
<td>Person or group having an interest in the performance or success of the</td>
</tr>
<tr>
<td></td>
<td>Program – they can be affected by or can affect the future of the System</td>
</tr>
<tr>
<td>strategic objective</td>
<td>A performance target which, when actioned, turns intent into results</td>
</tr>
<tr>
<td>strategic plan</td>
<td>A plan for achieving strategic objectives</td>
</tr>
<tr>
<td>strategy</td>
<td>A set of plans, programmes, premises or patterns of behavior or activities</td>
</tr>
<tr>
<td></td>
<td>that constitute a source of direction for top management’s decisions and</td>
</tr>
<tr>
<td></td>
<td>other actions</td>
</tr>
<tr>
<td>SWOT</td>
<td>Strengths, Weaknesses, Opportunities and Threats. An analytical technique</td>
</tr>
<tr>
<td></td>
<td>for assessing the influences on an organization</td>
</tr>
<tr>
<td>system</td>
<td>A set of interrelated or interacting elements</td>
</tr>
<tr>
<td>top management</td>
<td>Person or groups of people who direct and controls (the particular system)</td>
</tr>
<tr>
<td></td>
<td>at the highest level</td>
</tr>
</tbody>
</table>
## CONTENTS LIST

**FOREWORD**  i  
**ACKNOWLEDGEMENTS** ........................................................................................................ iii  
**LIST OF TERMS AND ABBREVIATIONS** ........................................................................ iv  
**CONTENTS LIST** ................................................................................................................. ix  
**FIGURES, BOXES AND TABLES IN TEXT** ........................................................................... xii  
**EXECUTIVE SUMMARY** ................................................................................................. ES-1  

1. **INTRODUCTION AND PLANNING FRAMEWORK** ............................................. 1  
   1.1 The Blueprint’s Structure ......................................................................................... 1  
   1.2 An Overview of Alternative Mechanisms of Service Delivery ............................... 1  
   1.3 AMSD in Indonesia .................................................................................................. 3  
   1.4 The Objectives of the Blueprint (a Strategic Management Plan) ......................... 8  
   1.5 The Plan as Part of a AMSD Program .................................................................... 9  
   1.6 Approach of the Plan ............................................................................................ 11  
   1.7 The Strategic Planning Methodology ................................................................... 13  

2. **THE CURRENT STATE OF IMPROVING SERVICE DELIVERY** .......... 16  
   2.1 Current Programs to Help PEMDA Improve Services ........................................ 16  
   2.2 Directorate General PUM’s Mandate and Mission ............................................... 17  
   2.3 The Current Institutional Environment ................................................................ 19  
   2.4 Stakeholder Analysis ............................................................................................ 26  
   2.5 Current Gaps in “Services” from Central Government ........................................ 28  
   2.6 Summarizing the Current Situation .................................................................... 31  

3. **THE RESULTS OF PROMOTING SERVICE IMPROVEMENT** ............ 34  
   3.1 Introduction ........................................................................................................... 34  
   3.2 Program Objectives ............................................................................................... 34  
   3.3 AMSD Program Unit (Sub-dit PUP) Mission and Vision ...................................... 35  
   3.4 Specific Issues and Objectives ............................................................................. 36  
   3.5 Comparative Advantages of the AMSD Program ............................................... 38  
   3.6 Key Risks Concerning the Objectives ................................................................. 39  
   3.7 Logic Diagrams for a Services Improvement Program ........................................ 39  

4. **STRATEGY FOR IMPROVING SERVICE DELIVERY** .......................... 42  
   4.1 The “Intended Strategy” – Orientation to PEMDA Needs ................................... 42
<table>
<thead>
<tr>
<th>Section</th>
<th>Title</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.2</td>
<td>Direction 1 – Establishing a Program Structure</td>
<td>44</td>
</tr>
<tr>
<td>4.3</td>
<td>Direction 2 – Building on the Early Pilots</td>
<td>50</td>
</tr>
<tr>
<td>4.4</td>
<td>Direction 3 – Program Institutional Set-up</td>
<td>50</td>
</tr>
<tr>
<td>4.5</td>
<td>Autonomy and Accountability of the AMSD Promotion Unit</td>
<td>53</td>
</tr>
<tr>
<td>4.6</td>
<td>Summary of Program Strategy and Activities</td>
<td>53</td>
</tr>
<tr>
<td>5.</td>
<td>RESOURCES AND SCHEDULING</td>
<td>55</td>
</tr>
<tr>
<td>5.1</td>
<td>Basic Assumptions</td>
<td>55</td>
</tr>
<tr>
<td>5.2</td>
<td>Program Governance and Management</td>
<td>56</td>
</tr>
<tr>
<td>5.3</td>
<td>Supporting Pilot Projects</td>
<td>56</td>
</tr>
<tr>
<td>5.4</td>
<td>Sequencing and Scheduling of Programs / Activities</td>
<td>61</td>
</tr>
<tr>
<td>5.5</td>
<td>Projected Resource Needs over Two Years</td>
<td>62</td>
</tr>
<tr>
<td>5.6</td>
<td>Types of Resources</td>
<td>64</td>
</tr>
<tr>
<td>5.7</td>
<td>Allocation of Resources Between Regional Governments</td>
<td>64</td>
</tr>
<tr>
<td>6.</td>
<td>SUSTAINING IMPLEMENTATION AND PLAN UPDATE</td>
<td>65</td>
</tr>
<tr>
<td>6.1</td>
<td>Change Management – Leading, Communicating, Planning</td>
<td>65</td>
</tr>
<tr>
<td>6.2</td>
<td>A Structure for Providing Leadership of Service Improvement</td>
<td>68</td>
</tr>
<tr>
<td>6.3</td>
<td>A (Temporary) Technical Working Group for Improvement of Service Delivery</td>
<td>70</td>
</tr>
<tr>
<td>6.4</td>
<td>Action Planning - Continual</td>
<td>71</td>
</tr>
<tr>
<td>6.5</td>
<td>Performance Management of the Program</td>
<td>71</td>
</tr>
<tr>
<td>6.6</td>
<td>Special Evaluations</td>
<td>74</td>
</tr>
<tr>
<td>6.7</td>
<td>Adoption of this Blueprint, and Next Step</td>
<td>74</td>
</tr>
</tbody>
</table>

**APPENDICES (see over)**
LIST OF APPENDICES

Appendix A: “Grand Strategy for Implementation of Regional Autonomy”
Appendix B: Description of AMSD Strategies
Appendix C: Checklist of AMSD Strategies
Appendix D: The Model Structure of a Sector (to Guide the AMSD Program)
Appendix E: Presentation to Inter-departmental Workshop
Appendix F: Stakeholder Analysis
Appendix G: Analysis of Survey of Key PEMDA Officials
Appendix H: Proposal for Next Stage as Discussed with DG-PUM
Appendix I: (not used)
Appendix J: Expenditure Projections
Appendix K: Draft SOP for a Working Group for Service Improvement
Appendix L: Bibliography and References
FIGURES, BOXES AND TABLES IN TEXT

Figure 1.1 AMSD “Structural” Options .......................................................... 2
Figure 1.2 The Strategic (Technical) Elements of AMSD ..................................... 6
Figure 1.3 The Fundamentals of Strategic Planning for the Program ...................... 9
Figure 1.4 Situation Analysis of Improvement Programs at Three Levels ............... 12
Figure 1.5 The Strategic Planning Process for Piloting AMSD .............................. 14
Figure 2.1 The Stakeholder Grid ........................................................................... 27
Figure 3.1 The Transition Pathway for Select SDOs .............................................. 40
Figure 3.2 Logic Diagram for a Program to Improve Service Delivery.................. 41
Figure 4.1 AMSD Program Can Develop in Three Directions .............................. 43
Figure 5.1 Indicative Activity Schedule for the Program ....................................... 62
Figure 6.1 Government Coordination for Service Delivery Improvement ............... 70
Figure 6.2 Detailed Activity Schedule ................................................................... 74

Box 2.1 Main Duties and Functions of DG of General Government Affairs ........... 18
Box 2.2 Critical Success Factors for Improvement using AMSD Strategies ............ 20
Box 6.1 Outline of the Inter-Department Program Steering Committee ............... 67

Table 2.1 Summary of Stakeholder Requirements ............................................... 29
Table 3.1 Ranking of Practices within Categories .................................................. 37
Table 5.1 Assumptions on Program Management Costs ...................................... 57
Table 5.2 Assumptions on Program Investment Costs .......................................... 59
Table 5.3 Assumptions on Program Investment Costs (cont.) .............................. 60
Table 6.1 Key features of the Program’s Inter-Department Steering Committee ....... 67
Table 6.2 Outline of Communications Plan .......................................................... 69
Table 6.3 A Logical Framework Identifying Assumptions and Risks ...................... 72
“It is not the strongest of the species that survive, 
nor the most intelligent, 
but the most responsive to change.”

Charles Darwin

“Say what you do. 
Do what you say. 
Prove it. 
Improve it!”

Anonymous
EXECUTIVE SUMMARY

Background

This report (or “Blueprint”) presents a strategy for improving service delivery by regional governments. It uses a set of generic strategies or strategic elements commonly found in an approach described as “alternative mechanisms of service delivery” (AMSD). AMSD is a term used especially in Canada to describe an array of strategies and tools that government can use to deliver services in a “non-traditional way”. In the context of this Blueprint, AMSD is used to simply mean changing service delivery mechanisms from the current way using one or more of the generic strategies.

The objectives overall of the AMSD project, supported by the Decentralization Support Facility (DSF) and sponsored by the Department of Home Affairs, is to promote AMSD within regional governments by:

(i) assisting the government in the rationalization of different institutional arrangements for the delivery of sub-national public services; and

(ii) aiding in the development and implementation of new (contracting) methods for service delivery.

After examining the situation and context in which service delivery is typically done in Indonesia, eight (8) generic strategies are suggested as encompassing AMSD, although not all might strictly be classed as “AMSD” in other countries. The strategies are:

- Strategy 1: Clarifying roles, objectives, accountability and authority
- Strategy 2: Paying for performance, including cost-reflective pricing of services
- Strategy 3: Raising the consequences of good or bad service (or “rewards and punishment” as it is commonly termed in Indonesian government circles)
- Strategy 4: Putting the customer “in the driving seat”
- Strategy 5: Empowering Service Delivery Organizations and employees (without the government losing control over policy)
- Strategy 6: Changing Service Deliverer Organizational culture (de-bureaucratization)
- Strategy 7: Changing sector structure
- Strategy 8: Partnering with the community and private sector.

A key tool in the deployment of these strategies is the use of a “Flexible Performance Agreement” (often called a “Performance Contract”) between the “owner” and the “operator” i.e. between the government and the Service Delivery Organization (SDO). This agreement provides a mechanism whereby the “meta-strategy” of AMSD (providing more autonomy to the operator in return for increased accountability) can be mobilized by, among various mechanisms, improving the dialogue and understanding on the respective roles and expectations of owner and operator, and cutting away at the inflexibilities that tend to accumulate in public administrative systems.
Against this backdrop, the Report’s goal is to describe a program based on a suggested strategy and outline a plan for improving service delivery using the eight generic strategies. It is termed the “AMSD Program”, but could be given a more generic name if desired.

**Blueprint’s Structure**

The structure of the Blueprint is as follows:

1. The introduction in Chapter 1 provides an overview of AMSD internationally and identifies how alternative mechanisms of service delivery are emerging in Indonesia, be it without that title; it also discusses strategy in general.

2. The context and current situation with respect to programs to promote improved service delivery are then examined in Chapter 2 – a situation analysis is performed relating to how central government deliver program for their colleagues in regional government, then identifies the key stakeholders and gaps in these “services” from central government.

3. Chapter 3 looks into the future in an attempt to describe a successful program to promote AMSD and to support regional government improve service delivery.

4. Based on this understanding of current situation and desired future state, Chapter 4 outlines the three strategic directions suggested as being able to close the gap and to execute a successful AMSD program. These cover (1) establishing the structure of a Program, which includes demonstration projects, disseminating knowledge and improving the underpinning legal and regulatory framework (2) continual improvement of the Program and (3) establishing incrementally “program governance” arrangements that improve development, evaluation and coordination of policies related to improving service delivery.

5. Chapter 5 estimates and allocates resources required to kick-off an initial AMSD program.

6. The final Chapter (6) examines in more detail the activities needed to sustain a major central government program for improvement of service delivery. It answers the question “how to sustain the Program”?

Appendices provide detail and include a long bibliography and reference list to provide background that the reader may wish to follow-up.

**Current State of the Efforts to Improve Service Delivery, including using AMSD**

The Consultant has identified numerous examples of innovation in service delivery but noted that coordination of these efforts is not strong, and that the strategic intent of adopting certain innovations is often not apparent. Improvements are introduced by a range of actors, but because they are not complemented by a set of other changes, particularly at the institutional and organizational level, rapid progress in improving service delivery is being obstructed.

In respect of the institutional, organizational development (ID/OD) and coordination aspects, the Department of Home Affairs (DEPDAGRI) has a very important role at present under Law 32/2004 on regional government. Their ability to work with regional government on the ID/OD aspects of service improvement for all sectors is under-utilized, both because of internal capacity deficiencies and external factors. While sectoral agencies have the authority to promote technical solutions, DEPDAGRI need to play a stronger coordination role to
ensure the complementary ID/OD changes are adopted by PEMDA. This is important for AMSD because it addresses the difficult problems of incentives, authorities and accountabilities (i.e. of behavior) that must be changed if the technical solutions are to succeed. Sectoral agencies will initially be suspicious of an AMSD Program promoted by DEPDAGRI, but will acknowledge the need to “touch” key actors in PEMDA.

With respect to service orientation of central government, the centre can listen more carefully to and work with PEMDA as partners in efforts to design, deliver and improve any program to improve service delivery. And it is believed the core administrative agencies (MoF, BAPPENAS, MENPAN, BPKP) will welcome and fund a stronger role being taken by DEPDAGRI in this area. But care is needed to ensure that potential conflicts with other programs to improve service delivery are avoided by DEPDAGRI, focusing on coordination of and promotion to these actors of the benefits of ID/OD-based improvements, thus increasing their interest and moving them from being just “actors” to being real “players” in improving service delivery.

At the organization level, currently within DEPDAGRI, the Directorate General for General Government Affairs (DG-PUM) has a mandate to help PEMDA improve services, but it is not as strong as it should be and could be contested by other parts of the organization. Also, the organizational structure is somewhat confusing and the assigned tasks lack specificity. Individuals are enthusiastic but would benefit greatly from capacity development to improve knowledge of ID/OD, strategy, program design and management and coordination.

Gaps in services provided by DG-PUM can be seen in terms of (i) poor functionality of any programs offered to PEMDA (ii) quality (iii) timeliness (iv) cost (v) authority relationships and (vi) image. Nevertheless, DEPDAGRI is still looked-to for support by many PEMDA. Despite identified weaknesses and threats that may obstruct successful development of the AMSD (or any) Program, it is believed that PEMDA, other central agencies, “donors” and the community would all see an AMSD Program as opportune.

**Desired Future State of Efforts**

The desired future state would see growing community satisfaction with services, more funds made consistently available for improving services and SDOs that are better governed by the community and the PEMDA core administrative agencies.

This requires that the relationship between the SDO and PEMDA be clear and regulated, the core administrative agencies and leaders of PEMDA steering their SDOs “at arms-length” while remaining in control of policy through use of outcomes measures, not inputs.

Achieving this change will be a long process, but a start can be made by ensuring the outcome of the Program (i) lets a growing band of PEMDAs know of and empowers them to introduce the AMSD (or other) strategies (ii) their SDOs in fact are given the direction and the autonomy to perform and (iii) the lessons of this experience are disseminated to their peers. Central government’s role in this is to launch the initial Program, and through its outputs, ensure that demonstration projects succeed, knowledge is generate and disseminated and the legal and regulatory framework, especially that underpinning relations between government organizations, is continuously improved.

In many ways, in the future, the central government will be a “living example” of the AMSD
Strategy 1; it will set the objectives, provide leadership and support where it can capture economies of scale, but it will allow the regional governments to implement innovative service delivery by exercising control through results, such as are measured by SPMs.

To achieve this state, development of a “AMSD Program Unit” can be envisaged within DEPDAGRI. It would be coordinating and promoting a range of ID/OD solutions and particularly managing the tension between those producing the core/normative administrative rules (planning, budgeting, implementation, monitoring evaluation, policy change) and the PEMDA and their SDOs. This would help the SDOs do the best they can between following the rules of those central administrative agencies and those promulgated by their “mother” central technical agency. It will provide the missing piece in current efforts of technical agencies and donors – the institutional strategies that support technical solutions.

This Program of course poses risks that should be obviated in the design and implementation of the Program. Demonstration projects will demonstrate if examples are identified and knowledge disseminated, if “physical” investment projects are not allowed to crowd-out institutional solutions, if negative cultural institutions that favor old informal ways are addressed and if the other core administrative agencies and technical departments are brought into a partnership.

(Intended) Strategy for Getting to the Future State

The intended strategy mirrors those suggested for any AMSD program themselves. Firstly (Direction 1), a structure of the Program needs establishing; it consists of:

- Establishing pilot projects that can then develop to provide a demonstration effect;
- Researching PEMDA requirements, gathering relevant information and disseminating it to important stakeholders;
- Capacity development of central agencies and PEMDA concerning AMSD strategies and tools, and program management; and
- Improving the legal and regulatory framework to underpin the institutional and organizations innovations made using the AMSD strategies.

After kicking-off the pilot projects, a vigorous effort is needed to open a dialogue with PEMDA about how the AMSD Unit and central government can “service” PEMDA while incrementally capturing and disseminating information on AMSD, building capacity and improving the regulatory underpinnings.

Direction 2 (continual improvement of the Program) is not as pressing at this stage, but it is noted because, AMSD in its Indonesian form will certainly emerge differently; “adaptation” is the key word, not adoption.

Direction 3 concerns deliberate efforts to provide “program governance”, to devise a institutional set-up that encourages DEPDAGRI and other central core agencies and technical departments to strategize together, to coordinate and to play their particular role in supporting PEMDAs to improve service delivery. This must all be done while remaining sensitive to developments in the field with respect to sequencing of AMSD strategies and identifying changes that would promote the goal of helping PEMDA improve service delivery.
With over 500 regional governments to be influenced, the Provinces need to be included in the Program, both as demonstrators of AMSD and in their “decon” and “tugas pembantu” roles. This suggests the Program needs to provide considerable support for capacity development at this level before it targets too many local governments alone.

The strategy also addresses difficulties facing those struggling to make change alone by use of “Performance Improvement Teams” in local government. The experience of the pilot planning workshop in Banten indicates the “tension” that frequently exists between PEMDA core administrative agencies and their SDOs can be harnessed with the introduction of “checks and balances” of Strategy 1, but that in the end the SDO can make use of some strategies but not all without PEMDA as a partner playing their steering role.

**Resourcing the Program**

Like AMSD Strategy 2, this chapter acknowledges that achieving improved performance requires improved allocation of resources – a point that the SDOs say often in not understood by the core administrators.

The basic assumptions include (i) a Program in the first instance of at least 2 years is required (ii) targets include completing at least 3 demonstration projects which include use of the performance contract – the FPA (iii) central government will provide the expert support and (iv) regional government will ensure inputs of time from both the target SDOs and their core administrative agencies.

External support will be provided over the two-year duration to the Program Unit in DG-PUM. This support will be provided by a “Central Team” and a “Field Team”. The Central Team will have about 6 months of inputs from an international expert and full-time support from a local consultant with expertise in strategy development and public sector change management.

The Field Team will consist of both ID/OD and sectoral expertise based in the Provincial ORTALA office and working with at least 3 target PEMDA and SDOs developing a Performance Improvement Plan, the mandatory feature of which is the inclusion of a FPA.

Based on this arrangement, projections have been made of program expenditure at quarterly intervals. The totals over the two years are shown in Table ES-1.

The projections are also based on an indicative activity schedule, which has the initial activity concentrated on (i) support to DG-PUM and (ii) continuing the participative design of the AMSD-based Performance Improvement Plan. This first requires agreement on sector structure, payment arrangements and the status of the SDO. Work would then shift more to preparing the FPA, defining how performance will be measured under it and how that performance information is gathered and managed. Major capacity development activities will then follow.

Figure ES-1 indicates the scheduling of the Program.
### Table ES-1: Projected Expenditure under the AMSD Program

<table>
<thead>
<tr>
<th>No</th>
<th>DESCRIPTION</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Approximate Total Revenue of SDO</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td>A</td>
<td>SOURCE OF FUNDS</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Levy on SDO Revenues</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total fees as % of SDO revenue (approx.)</td>
<td>%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Other Levies on Third Parties in Sector</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Grants from Province / Central Government</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Total Revenue</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td>B</td>
<td>USE OF FUNDS</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1</td>
<td>Operational Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.1</td>
<td>Secretariat Personnel</td>
<td>Rp M</td>
<td>415</td>
</tr>
<tr>
<td>0.2</td>
<td>Office Running Costs</td>
<td>Rp M</td>
<td>120</td>
</tr>
<tr>
<td>0.3</td>
<td>Program Reporting Costs</td>
<td>Rp M</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Minimum Cost of Secretariat</td>
<td>Rp M</td>
<td>609</td>
</tr>
<tr>
<td>0.4</td>
<td>Program Governance/Leasership &amp; Communications</td>
<td>Rp M</td>
<td>293</td>
</tr>
<tr>
<td></td>
<td>Normal Cost of Program Unit and Project Governance</td>
<td>Rp / Citizen</td>
<td>277</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rp M</td>
<td>903</td>
</tr>
<tr>
<td>B.2</td>
<td>Capital Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Pilots - Sector Structural Reform</td>
<td>Rp M</td>
<td>159</td>
</tr>
<tr>
<td>2</td>
<td>Pilots - Improve Tariff Setting and Resource Allocations Process</td>
<td>Rp M</td>
<td>644</td>
</tr>
<tr>
<td>3</td>
<td>Pilots - Increase Service Delivery Organization / Operator Autonomy</td>
<td>Rp M</td>
<td>401</td>
</tr>
<tr>
<td>4</td>
<td>Pilots - Performance Agreements &amp; Regulator</td>
<td>Rp M</td>
<td>443</td>
</tr>
<tr>
<td>5</td>
<td>Pilots - Improved Performance Information and Responsiveness</td>
<td>Rp M</td>
<td>719</td>
</tr>
<tr>
<td>6</td>
<td>Pilots - Improve Governance / Accountability via a &quot;Governance Overlap&quot;</td>
<td>Rp M</td>
<td>222</td>
</tr>
<tr>
<td>7</td>
<td>Research, Documentation, Dissemination of Information</td>
<td>Rp M</td>
<td>689</td>
</tr>
<tr>
<td>8</td>
<td>Capacity Building - Sector Level Human Resources</td>
<td>Rp M</td>
<td>425</td>
</tr>
<tr>
<td>9</td>
<td>Support to Improve Strategic Management, Legal &amp; Regulatory Framework</td>
<td>Rp M</td>
<td>538</td>
</tr>
<tr>
<td>10</td>
<td>Support Province(s), PEMDAs promoting AMSD</td>
<td>Rp M</td>
<td>870</td>
</tr>
<tr>
<td></td>
<td>Total Capital Expenditure (1 to ..)</td>
<td>Rp M</td>
<td>5,304</td>
</tr>
<tr>
<td>TOTAL EXPENDITURE</td>
<td>Rp M</td>
<td>6,207</td>
<td></td>
</tr>
</tbody>
</table>

Provision is made in the projections for inclusion of benefits to enable some evaluation of the benefit/cost ratio, but this has not been calculated because more data are needed from the AMSD pilot designs.
Figure ES-1: Indicative Activity Schedule

<table>
<thead>
<tr>
<th>No</th>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>Qtr.</th>
<th>Qtr.</th>
<th>Qtr.</th>
<th>Qtr.</th>
<th>Qtr.</th>
<th>Qtr.</th>
<th>Qtr.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>0</td>
<td>Program Governance / Operational Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.1</td>
<td>Secretariat Personnel</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>0.2</td>
<td>Office Running Costs</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>0.3</td>
<td>Program Reporting Costs</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>0.4</td>
<td>Program Governance/Leadership &amp; Communications</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>1.0</td>
<td>Pilots - Sector Structural Reform</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td>Pilots - Improve Tariff Setting and Resource Allocations Process</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>3.0</td>
<td>Pilots - Increase Service Delivery Organization / Operator Autonomy</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>4.0</td>
<td>Pilots - Performance Agreements &amp; Regulator</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>5.0</td>
<td>Pilots - Improved Performance Information and Responsiveness</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>6.0</td>
<td>Pilots - Improve Governance / Accountability via a “Governance Oversig</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>7.0</td>
<td>Research, Documentation, Dissemination of Information</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>8.0</td>
<td>Capacity Building - Sector Level Human Resources</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>9.0</td>
<td>Support to Improve Strategic Management, Legal &amp; Regulatory Framework</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
<tr>
<td>10.0</td>
<td>Support Province(s), PEMDAs promoting AMSD</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
<td>XXXXX</td>
</tr>
</tbody>
</table>

Although the main cost of the Program is expert support – divided between the Central Team and Field Teams - ample allowance has been included for preparation and delivery of capacity development materials and an amount allocated for the incremental costs DEPDAGRI will incur to manage the Program. Based on indications of sequence in the above schedule, these costs have been calculated for each quarter by personnel, capacity development and other categories.

Table ES-2 shows the allocations. Allocations have not been not been detailed for promoting the AMSD strategies in another province but some of the allocation for the Team will be used for “socialization”. Promotion in other Provinces is more the work of DEPDAGRI. The Provinces’ role in this component of the Program will need to be more prominent.
Table ES-2: Summary of Consultant Inputs and Overall Costs

<table>
<thead>
<tr>
<th>Aggregated Input Costs Breakdown</th>
<th>UNIT</th>
<th>TOTAL</th>
<th>Qtr. 1</th>
<th>Qtr. 2</th>
<th>Qtr. 3</th>
<th>Qtr. 4</th>
<th>Qtr. 5</th>
<th>Qtr. 6</th>
<th>Qtr. 7</th>
<th>Qtr. 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Foreign Manmonths</td>
<td>mm</td>
<td>6.3</td>
<td>0.7</td>
<td>1.3</td>
<td>2.2</td>
<td>2.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Local Manmonths</td>
<td>mm</td>
<td>89.4</td>
<td>4.3</td>
<td>8.2</td>
<td>18.8</td>
<td>19.1</td>
<td>10.8</td>
<td>10.8</td>
<td>8.9</td>
<td>8.4</td>
</tr>
<tr>
<td>- for Core Team</td>
<td>mm</td>
<td>24.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>- for Field Team</td>
<td>mm</td>
<td>65.4</td>
<td>1.3</td>
<td>5.2</td>
<td>15.8</td>
<td>16.1</td>
<td>7.8</td>
<td>7.8</td>
<td>5.9</td>
<td>5.4</td>
</tr>
<tr>
<td>Total Manmonths</td>
<td>mm</td>
<td>95.6</td>
<td>5.0</td>
<td>9.5</td>
<td>21.0</td>
<td>21.2</td>
<td>10.8</td>
<td>10.8</td>
<td>8.9</td>
<td>8.4</td>
</tr>
<tr>
<td>Total Costs Foreign Consultants</td>
<td>Rp M</td>
<td>1,250</td>
<td>140</td>
<td>250</td>
<td>430</td>
<td>430</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Costs Local Consultants</td>
<td>Rp M</td>
<td>3,371</td>
<td>154</td>
<td>300</td>
<td>720</td>
<td>729</td>
<td>407</td>
<td>407</td>
<td>337</td>
<td>317</td>
</tr>
<tr>
<td>Total Remuneration Costs</td>
<td>Rp M</td>
<td>4,621</td>
<td>294</td>
<td>550</td>
<td>1,150</td>
<td>1,159</td>
<td>407</td>
<td>407</td>
<td>337</td>
<td>317</td>
</tr>
<tr>
<td>Total Training Costs - Prep &amp; Delivery</td>
<td>Rp M</td>
<td>620</td>
<td>-</td>
<td>57</td>
<td>94</td>
<td>94</td>
<td>94</td>
<td>94</td>
<td>94</td>
<td>91</td>
</tr>
<tr>
<td>Total Purchases equipment &amp; software</td>
<td>Rp M</td>
<td>373</td>
<td>-</td>
<td>63</td>
<td>63</td>
<td>63</td>
<td>63</td>
<td>63</td>
<td>60</td>
<td>-</td>
</tr>
<tr>
<td>Other (travel, accomm, campaigns, fees, etc)</td>
<td>Rp M</td>
<td>593</td>
<td>172</td>
<td>36</td>
<td>66</td>
<td>75</td>
<td>78</td>
<td>49</td>
<td>53</td>
<td></td>
</tr>
<tr>
<td>Total Program Capital Expenditure</td>
<td>Rp M</td>
<td>5,304</td>
<td>364</td>
<td>601</td>
<td>1,262</td>
<td>1,271</td>
<td>524</td>
<td>524</td>
<td>420</td>
<td>337</td>
</tr>
<tr>
<td>Consultants as % Program Expenditure</td>
<td>%</td>
<td>#</td>
<td>81%</td>
<td>92%</td>
<td>91%</td>
<td>91%</td>
<td>78%</td>
<td>78%</td>
<td>80%</td>
<td>94%</td>
</tr>
<tr>
<td>&quot;Secretariat&quot; &amp; Program Governance Opex</td>
<td>Rp M</td>
<td>903</td>
<td>102</td>
<td>105</td>
<td>108</td>
<td>111</td>
<td>114</td>
<td>118</td>
<td>121</td>
<td>125</td>
</tr>
<tr>
<td>Opex as % of CAPEX</td>
<td>%</td>
<td>28%</td>
<td>17%</td>
<td>9%</td>
<td>9%</td>
<td>22%</td>
<td>22%</td>
<td>29%</td>
<td>25%</td>
<td>37%</td>
</tr>
<tr>
<td>Total Program Expenditure</td>
<td>for periods --&gt;</td>
<td>Rp M</td>
<td>6,207</td>
<td>466</td>
<td>706</td>
<td>1,370</td>
<td>1,382</td>
<td>638</td>
<td>642</td>
<td>541</td>
</tr>
</tbody>
</table>

Note:
1 Foreign mm and associated costs will not be included in “Field Team”, but consolidated into contract(s) at a higher level.

Sustaining the System for Promoting Service Improvements

Chapter 6 completes the Blueprint by planning the “program sustainability” activities. It suggests a structure for and workings of the program governance organization (which should eventually be an Inter-departmental Steering Committee), a supporting Secretariat (or AMSD Unit), a forum through which donors and other stakeholders can be engaged, and initially a supporting Central (Consultant) Team.

The critical success factors are planning, leadership and communications, tasks which the Central Team should be directed to fully support from the outset of the Program. Activities in these areas need detailed planning (a planning plan, a communications plan, a capacity development plan and a performance measurement and monitoring plan, for example) and a simple “performance management system” introduced, again mimicking the AMSD strategies.

Table ES-3 outlines a communication plan to help guide the AMSD Unit in activities designed to push key players towards becoming interested and powerful supporters of the Program.

Maintenance of this support requires the Steering Committee be constituted with the correct members, to be clear on objectives, to measure progress, to objectively evaluate performance and to make adjustments “without fear or favor” as experience grows with how AMSD needs to be adapted for the range of conditions faced by regional government. The challenges of achieving this coordination at the policy management level are not to be underestimated, so a number of activities and mechanisms are foreseen under the Program to achieve this goal. One such mechanism is the development and maintenance by the Committee of a Strategy for the Program. The Blueprint should be adopted until that strategy is ready. Another mechanism for operationalising the Steering Committee includes ensuring it adopts procedures that encourage all its constituent members to participate and own the Program.
### Table ES-3: Outline of Communication Plan

<table>
<thead>
<tr>
<th>Objective (specific)</th>
<th>Target</th>
<th>Message</th>
<th>By Whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>To be able to describe the 8 basic AMSD strategies (thru increasing diklatan and incentives for Unit and PEMDA)</td>
<td>Unit Personnel Select Provincial Units Internal Teams in PEMDA, SDOs</td>
<td>AMSD strategies are real AMSD strategies address real problems AMSD strategies are useful for DEPDAGRI / PEMDA core</td>
<td>Unit Manager with Consultant support</td>
<td>6 months after Program start</td>
</tr>
<tr>
<td>Convince DEPDAGRI Executive to pay more attention to AMSD (gaining support for the Program governance arrangements as they are ramped up) Identification of Board members</td>
<td>Directors within key components in DEPDAGRI Potential members of the Steering Committee Diklat and Litbang</td>
<td>Good for DEPDAGRI Good for PEMDA Lower risks / control maintained Sustainability, modern</td>
<td>Unit Manager Head of TWG DSF staff Consultant</td>
<td>Month 9</td>
</tr>
<tr>
<td>Convince central government agencies to recognize the “truths” in the AMSD strategies (Retention / Expansion of pilots thru external forces on PEMDAs)</td>
<td>Home Affairs MoF State Auditor BAPPENAS Public Works and others</td>
<td>It’s legal It support their technical solutions Caters for their needs They can adapt / influence</td>
<td>Director of Unit Consultants International Agencies</td>
<td>Month 12</td>
</tr>
<tr>
<td>Identify possible additional financiers (Economies of scale in expansion)</td>
<td>MoF Donors RG Associations</td>
<td>Complies with Government policy to improve services Safe “investment”</td>
<td>Director of Unit</td>
<td>Month 12</td>
</tr>
<tr>
<td>Convince international agencies to use the Strategies for their projects (Retention / expansion of pilots)</td>
<td>World Bank Asian Development Bank Bi-laterals</td>
<td>Addresses past ID/OD failures Useful for projects Helps service delivery in long term Ideological concerns covered</td>
<td>DGs involved in the Steering Committee DSF managers</td>
<td>Month 15</td>
</tr>
<tr>
<td>Convince non-member target number of PEMDA to join Program (Expansion)</td>
<td>Local Governments Non-member SDOs Local Gov. Association Education &amp; Training Foundations Consumer’s Association</td>
<td>Helps Loc Gov. supervise their SDOs Addresses legal accountability concerns A tool to manage Complements other tools</td>
<td>Director of Unit Chair and members of the Steering Committee</td>
<td>Month 18</td>
</tr>
<tr>
<td>Convince SDOs who have introduced AMSD strategies to “maintain” their “membership”. (Retention)</td>
<td>Local Governments Local Gov. Association Member SDOs Education &amp; Training Foundations Consumer Assoc.</td>
<td>Helps Loc Gov. supervise Addresses legal accountability concerns A tool to manage Complements other tools</td>
<td>Unit Manager Executive Director and Chairman (including through video)</td>
<td>Month 24</td>
</tr>
</tbody>
</table>
Finally, as the Program relates to a service of central government, albeit an “internal” or “support” service, its stakeholders deserve information on how the service they are being asked to support is performing. **Table ES-4** makes some suggestions on performance indicators that could be used to help inform of performance of the Program. Use of a set of indicators will help remind key stakeholders to allocate resources for supporting improvement to and development of new service delivery systems, as distinct from just making more investment in old systems.
Table ES-4: A Selection of Program Performance Indicators

<table>
<thead>
<tr>
<th>Outcomes: (indicating success in establishing a service delivery improvement program)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Level of satisfaction of PEMDA with support under the Program.</td>
</tr>
<tr>
<td>2. Level of complaints about the Program.</td>
</tr>
<tr>
<td>3. Degree of dissemination a relevant policy statement on service delivery improvement</td>
</tr>
<tr>
<td>4. Specific changes made to the legal and regulatory framework</td>
</tr>
<tr>
<td>5. Percentage (%) of SDOs in pilot PEMDA adopting a AMSD strategy</td>
</tr>
<tr>
<td>6. Percentage (%) of PEMDA that have revised PERDA in accordance with PP38/2007 or PP41/2007 for 50% of functions.</td>
</tr>
<tr>
<td>7. Percentage (%) of Provinces able to facilitate Kab/Kota design and implement AMSD improvements.</td>
</tr>
<tr>
<td>8. Functionality of the Program Governance Organization (meeting notes, attendance etc)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outputs (that support establishment and operation of a System / Program of Improvements)</th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Existence of &quot;Model Perda&quot; for the sectors in which pilots are developed.</td>
</tr>
<tr>
<td>11. Percentage (%) of AMSD strategies with written guidelines / training modules</td>
</tr>
<tr>
<td>12. Percentage (%) of key personnel in pilots who have attended basic training.</td>
</tr>
<tr>
<td>13. Percentage (%) of pilot SKPDs with Flexible Performance Agreements</td>
</tr>
<tr>
<td>14. Percentage (%) of pilot SKPDs undertaking other performance improvements</td>
</tr>
<tr>
<td>15. Availability of information sheets on AMSD pilots covering all aspects of the CSFs</td>
</tr>
<tr>
<td>16. Percentage (%) of SKPDs in pilot Pemda requesting assistance.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inputs (that are needed to produce the outputs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. &quot;Face-time&quot; of institutional experts with pilot SKPD as a percentage (%) of total available</td>
</tr>
<tr>
<td>18. &quot;Face-time&quot; of institutional experts with target PEMDA</td>
</tr>
<tr>
<td>19. &quot;Face-time&quot; of sectoral experts with pilot SKPD</td>
</tr>
<tr>
<td>20. &quot;Face-time&quot; of institutional and sectoral experts with Province personnel</td>
</tr>
<tr>
<td>21. % of target PEMDA working on a FPA with performance indicators</td>
</tr>
<tr>
<td>22. % target SKPDs working on a Performance Improvement Plan which includes a FPA</td>
</tr>
<tr>
<td>23. % target pilot PEMDA establishing a Steering Committee for AMSD</td>
</tr>
<tr>
<td>24. % target PEMDA agreeing an MoU with Province / DG-PUM on AMSD approaches.</td>
</tr>
</tbody>
</table>
Cetak Biru (Blueprint) Pengembangan dan Pelaksanaan Sistem MAPP

RINGKASAN EKSEKUTIF

Latar Belakang

Laporan atau “Blueprint” ini menyajikan strategi untuk meningkatkan penyediaan layanan public oleh pemerintah daerah, yang terdiri dari serangkaian strategi generic atau strategi dasar yang dicakup dalam suatu pendekatan yang disebut “mekanisme alternatif untuk pelayanan public” (MAPP) atau ‘alternative mechanisms for service delivery’ (AMSD). MAPP atau AMSD adalah istilah yang digunakan di Kanada untuk menggambarkan serangkaian strategi yang dapat digunakan pemerintah untuk menyampaikan layanan dengan cara-cara yang tidak konvensional. Dalam “Blueprint’ ini MAPP berarti perubahan mekanisme penyampaian layanan dari cara yang dilakukan saat ini menjadi salah satu atau lebih dari generic strategi dimaksud di atas.

Tujuan umum mempromosikan MAPP kepada pemerintah daerah adalah:

(i) Membantu pemerintah daerah dalam merasionalisasikan berbagai opsi kelembagaan untuk menyampaikan pelayanan publik di daerah; dan

(ii) Membantu pemerintah daerah dalam pengembangan dan implementasi metoda pelayanan publik dengan sistem kontrak.

Setelah mempelajari kondisi di Indonesia, ada 8 strategi generic/dasar yang diusulkan dicakup dalam MAPP, sekalipun di negara lain tidak semuanya dikategorikan sebagai MAPP. Kedelapan strategi tersebut adalah sebagai berikut:

Strategi 1 : Memperjelas tujuan, peran dan kewenangan
Strategi 2 : Memulihkan biaya pelayanan
Strategi 3 : Menerapkan sistem konkwensi atau penghargaan dan hukuman
Strategi 4 : Memberdayakan pelanggan, dengan membiarkan pelanggan memegang kemudi
Strategi 5 : Memberdayakan organisasi dan pegawai penyedia layanan
Strategi 6 : Mengubah kultur organisasi penyedia layanan
Strategi 7 : Mengubah struktur sektor, dan
Strategi 8 : Melibatkan masyarakat dan sektor swasta.

Salah satu kunci utama untuk menerapkan strategi-strategi tersebut adalah dengan menggunakan ‘Kesepakatan Kinerja Fleksibel’ (Kontrak Kinerja) antara penanggungjawab pelayanan (pemerintah) dengan pelaksana pelayanan (operator). Kontrak tersebut memuat ketentuan yang memungkinkan strategi MAPP, yakni ”memberikan otonomi yang lebih luas kepada operator yang diikuti dengan peningkatan akuntabilitas”, dapat dilaksanakan melalui perbaikan dialog dan pemahaman tentang peran dan harapan masing-masing pihak dan mengurangi kekakuannya yang banyak terjadi dalam administrasi pemerintahan.
Dalam kaitan dengan hal tersebut di atas, laporan ini memuat program yang disusun berdasarkan suatu usulan strategi dan menguraikan rencana untuk meningkatkan pelayanan dengan menggunakan 8 strategi generik/ dasar tersebut di atas, yang selanjutnya disebut "Program MAPP", atau nama lain bila diperlukan.

**Struktur Blueprint**

Struktur Blueprint ini adalah sebagai berikut:

1. Pendahuluan pada Bagian 1 memberikan tinjauan tentang MAPP secara internasional dan mengidentifikasikan bagaimana mekanisme alternatif pelayanan publik berkembang di Indonesia, dengan atau tanpa menggunakan istilah tertentu. Pada bagian ini juga dibahas strategi secara umum.

2. Konteks dan kondisi saat ini berkaitan dengan program-program untuk peningkatan pelayanan dibahas pada Bagian 2. Bagian ini menganalisis bagaimana pemerintah pusat menyampaikan program-programnya kepada pemerintah daerah dan mengidentifikasikan pemangku kepentingan serta kesejajaran berkenaan dengan layanan-layanan yang dicakup dalam program-program tersebut.

3. Bagian 3 memberikan tinjauan tentang harapan kedepan untuk mensukseskan program-program MAPP dan membantu pemerintah daerah meningkatkan pelayanan.

4. Dengan pemahaman atas kondisi saat ini dan harapan kedepan, Bagian 4 menguraikan tiga arah strategis yang dianggap mampu menutup kesejajaran dan melaksanakan program MAPP secara berhasil. Ketiga arah strategis tersebut adalah (1) membangun struktur program, yang mencakup proyek-proyek percontohan, diseminasi konsepsi dan perbaikan kerangka hukum dan pengaturan terkait, (2) melakukan perbaikan secara berkelanjutan atas program-program dimaksud, dan (3) membangun program kepemerintahan secara bertahap guna meningkatkan pengembangan, evaluasi dan koordinasi kebijakan berkenaan dengan peningkatan pelayanan publik.

5. Bagian 5 memprakirakan dan mengalokasikan sumberdaya yang diperlukan untuk memulai pelaksanaan program MAPP.

6. Bagian 6, yang terakhir, mengkaji secara lebih rinci kegiatan yang diperlukan untuk menjamin keberlanjutan program-program pemerintah daerah untuk meningkatkan pelayanan. Bagian ini menjawab pertanyaan tentang "bagaimana menjamin keberlanjutan Program MAPP"?

Lampiran-lampiran ’Blueprint’ ini memberikan informasi rinci, termasuk daftar panjang kepustakaan dan daftar referensi untuk memberikan bahan pendukung bagi pembaca yang ingin menindaklanjuti.

**Upaya-upaya peningkatan pelayanan saat ini, termasuk yang menggunakan MAPP**

Konsultan sudah mengidentifikasikan berbagai contoh inovasi peningkatan pelayanan publik, tetapi perlu dicatat bahwa koordinasi dari upaya-upaya tersebut masih belum cukup kuat, dan maksud untuk mengadopsi inovasi-inovasi tertentu seringkali tidak nampak. Upaya-upaya perbaikan didorong oleh sejumlah aktor, namun karena mereka tidak didukung oleh serangkaian perubahan yang terkait, khususnya pada tingkat kelembagaan dan organisasi, kemajuan peningkatan pelayanan masih terkendala.

Berkenaan dengan orientasi kepada pelayanan, institusi pemerintah pusat yang menjadi promotor MAPP bisa mendengarkan pandangan Pemda secara lebih cermat dan bekerjasama dengan Pemda sebagai mitra dalam upaya untuk merancang, menyampaikan dan memperbaiki program untuk meningkatkan pelayanan. Kiranya dapat diperceyai bahwa lembaga-lembaga kunci pemerintahan (seperti Departemen Keuangan, Bappenas, MenPAN dan BPKP) akan mendukung peran yang lebih kuat yang dilakukan oleh Depdagri di bidang ini. Namun, kehati-hatian diperlukan untuk menjamin agar potensi konflik dengan program lain yang juga bertujuan meningkatkan pelayanan publik bisa dihindarkan. Hal tersebut bisa dilakukan oleh Depdagri dengan memfokuskan perannya pada koordinasi dan mempromosikan kepada para aktor lain tersebut tentang manfaat dari upaya-upaya perbaikan yang berbasis pengembangan kelembagaan /organisasi, dengan mana diharapkan bisa meningkatkan minat mereka dan menggerakkan mereka berubah dari sekedar 'aktor' menjadi 'pelaku' (players) dalam peningkatan pelayanan.

Pada tingkat organisasi, di lingkungan Depdagri saat ini, Ditjen PUM mempunyai tugas membantu Pemda meningkatkan pelayanan, namun mandat tersebut tidak sekuat yang seharusnya dan yang dapat dilakukan oleh bagian-bagian lain dari organisasi. Disamping itu, struktur organisasi juga seringkali membingungkan dan tugas-tugas yang ditentukan juga kurang spesifik. Individu-individu di lingkungan organisasi mungkin cukup antusias, namun manfaat yang lebih besar akan bisa didapat melalui pengembangan kapasitas untuk meningkatkan pengetahuan tentang pengembangan kelembagaan/ organisasi, tentang strategi, perancangan program dan manajemen serta koordinasi.

Kesenjangan pelayanan yang diberikan oleh Ditjen PUM dapat dilihat dari kurang jelasnya (i) kegunaan, (ii) kualitas, (iii) ketepatan waktu, (iv) biaya, dan (v) hubungan kewenangan, dan (vi) pencitraan dari program-program yang disampaikan kepada Pemda. Namun demikian, dukungan Depdagri masih diperlukan oleh banyak Pemda. Sekalipun ada banyak kelemahan dan tantangan sebagaimana disebutkan di atas yang mungkin menghalangi keberhasilan pengembangan Program MAPP, namun Pemda, lembaga-lembaga pemerintah pusat yang lainnya, lembaga-lembaga donor dan masyarakat mungkin pula akan melihat Program MAPP sebagai suatu peluang.

**Upaya-upaya ke depan yang diperlukan**

Kondisi kedepan yang diharapkan adalah meningkatnya kepuasan masyarakat terhadap pelayanan, lebih banyak dana bisa disediakan secara berkelanjutan guna meningkatkan
pelayanan, dan organisasi penyedia layanan (OPL) dikendalikan secara lebih baik oleh masyarakat dan satuan-satuan kerja utama dari Pemda.

Kondisi tersebut menuntut bahwa hubungan antara OPL dengan Pemda bisa dirumuskan dan diatur secara jelas, dan satuan-satuan kerja kunci serta para pimpinan pemerintah daerah mengarahkan OPL secara tidak langsung, serta mengawasinya berdasarkan hasil (outcomes), bukan input.

Mewujudkan perubahan yang demikian itu memerlukan waktu yang lama, namun langkah awal bisa dimulai dengan menjamin (i) bahwa hasil dari Program akan memberi peluang bagi Pemda untuk mengetahui strategi MAPP dan memberikan kekuatan untuk mengenalikkannya secara lebih luas, (ii) bahwa OPL diberikan arahan dan otonomi untuk melaksanakan pelayanan, dan (iii) bahwa pembelajaran dari pengalaman pelaksanaan MAPP disebarluaskan kepada koleganya dan Pemda lainnya. Peran Pemerintah (pusat) dalam hal ini adalah meluncurkan Program awal, dan melalui hasil-hasil proyek percontohan, meningkatkan dan menyebarluaskan pengetahuan tetang MAPP sambil terus menyempurnakan kerangka hukum dan perundang-undangan, khususnya yang menyangkut hubungan antar organisasi pemerintah.

Dalam banyak hal di masa depan, pemerintah pusat akan menjadi 'contoh yang hidup' tentang penggunaan Strategi I MAPP. Ia akan menetapkan tujuan serta memberikan arahan dan dukungan, diantaranya mencakup skala ekonomi dan pengelolaan berdasarkan hasil, tetapi pada saat yang sama juga akan memberikan peluang kepada pemerintah daerah untuk melakukan inovasi-inovasi penyediaan layanan dengan pengendalian berdasarkan hasil, misalnya dengan mengukurnya dengan SPM.

Untuk mewujudkan kondisi yang demikian itu, layak dipertimbangkan adanya suatu "Unit Pengembangan Program MAPP" di lingkungan Depdagri. Unit ini akan mengkoordinasikan dan mempromosikan serangkaian solusi untuk pengembangan kelembagaan /organisasi, khususnya mengelola ketegangan-ketegangan yang berpotensi terjadi antara satuan-satuan kerja pemerintah pusat yang menghasilkan peraturan-peraturan administratif (seperti perencanaan, penganggaran, implementasi, monitoring dan evaluasi, dan perubahan kebijakan) dengan Pemda dan OPL nya. Kondisi tersebut akan membuat OPL melakukan yang terbaik yang ia bisa lakukan antara mengikuti peraturan-peraturan dari instansi-instansi administratif dan dari instansi teknis pemerintah pusat. Kehadiran unit yang demikian itu akan menutup mata rantai yang hilang, yang selama ini diupayakan oleh instansi-instansi teknis dan lembaga-lembaga donor, yakni strategi kelembagaan yang mendukung solusi-solusi teknis.

Program MAPP tersebut dipahami memiliki kelemanh-kelemanahan dalam perancangan dan pelaksanaannya; namun akan bisa ditanggulangi melalui proyek-proyek percontohan. Proyek percontohan akan menunjukkan manfaatnya bila: (i) contoh-contoh diberikan dan pengetahuan yang terkait disebarluaskan, (ii) investasi fisik tidak ditonjolan dan mengalahkan solusi-solusi kelembagaan, (iii) budaya yang lebih menyukai cara-cara yang tidak formal dikhilangkan, dan (iv) institusi-institusi administratif yang utama diikutsertakan.

**Strategi mewujudkan kondisi kedepan**

Strategi yang diperlukan mencerminkan strategi-strategi MAPP itu sendiri. Pertama (Arahan 1), struktur Program memerlukan pengembangan-pengembangan tertentu, yakni:

- Pengembangan proyek percontohan, yang diharapkan akan memberikan dampak pada mendorong implementasi selanjutnya;
- Pengenalan kebutuhan pemerintah daerah, melalui pengumpulan informasi dan penyebarluasannya kepada para pemangku kepentingan utama;
- Pengembangan kapasitas bagi lembaga-lembaga pemerintah pusat dan daerah, berkenaan dengan strategi MAPP dan perangkatnya, dan pengelolaan program;
- Perbaikan kerangka hukum dan perundangan, guna melandasi inovasi-inovasi kelembagaan dan pengorganisasian yang dibuat melalui penerapan strategi MAPP.

Setelah memulai pelaksanaan proyek percontohan, serangkaian upaya-upaya diperlukan untuk membuka dialog dengan Pemda tentang bagaimana "Unit MAPP" dan pemerintah pusat dapat membantu Pemda, sambil menghimpun dan menyebarluaskan informasi-informasi tentang MAPP, mengembangkan kapasitas, dan memperbaiki landasan pengaturan.

Arahan 2 (melanjutkan perbaikan Program), sekalipun tidak terlalu mendesak pada saat memulai pelaksanaan percontohan, namun perlu diperhatikan, karena bentuk MAPP di Indonesia bisa muncul secara berbeda; karena 'adaptasi’ merupakan kata kuncinya, bukan 'adopsi’.

Arahan 3 menyangkut upaya-upaya yang berkesinambungan untuk menyusun kelembagaan yang bisa mendorong Depdagri dan institusi-institusi utama serta departemen-departemen teknis untuk bersinergi, untuk mengkoordinasikan dan memainkan peran mereka dalam membantu Pemda meningkatkan penyediaan layanan. Semua hal tersebut harus dilaksanakan sambil tetap sensitif mengikuti perkembangan di lapangan berkenaan dengan pengurutan pelaksanaan strategi MAPP dan mengidentifikasi perubahan-perubahan yang dapat membantu merealisasi tujuan membantu Pemda meningkatkan pelayanan.

Dengan sebanyak lebih dari 500 pemerintah daerah yang akan dijangkau, Pemda Provinsi pasti harus dibatikkan dalam Program tersebut, baik untuk mendemonstrasi MAPP maupun untuk melaksanakan MAPP dalam kaitan dengan perannya berkenaan dengan 'dekonsentrasi' dan 'tugas pembantu'. Karena itu, Program tersebut perlu memberikan dukungan pengembangan kapasitas bagi Pemda Provinsi sebelum menargetkan implementasinya pada banyak pemerintah daerah.

Menyediakan Sumberdaya Pendukung

Seperti halnya Strategi 2 MAPP, bagian ini menggambarkan bahwa untuk mencapai kinerja yang signifikan diperlukan dukungan sumberdaya yang patut – suatu aspek yang sering diungkapkan oleh OPL namun tidak dipahami oleh para penyelenggara utama pemerintahan.

Berkaitan dengan ini ada sejumlah asumsi dasar, yakni: (i) Program diperlukan setidaknya untuk 2 tahun pertama, (ii) Program tersebut mencakup setidaknya 3 proyek percontohan, yang dilaksanakan sampai tuntas, dan mencakup pelaksanaan 'kontrak kinerja’, (iii) pemerintah pusat akan memberikan dukungan tenaga akhli, dan (iv) pemerintah daerah menjamin ketersediaan waktu dari OPL nya dan dari satuan-satuan kerjanya yang utama.

Dukungan eksternal akan diberikan selama 2 tahun kepada Unit Program MAPP yang berkedudukan di Ditjen PUM. Dukungan tersebut akan diberikan oleh suatu "Tim Pusat” dan "Tim Lapangan". Tim Pusat tersebut akan mencakup dukungan tenaga akhli internasional selama 6 bulan dan dukungan penuh dari seorang konsultan lokal yang berpengalaman dalam bidang pengembangan strategi dan manajemen perubahaan di sektor publik.

Tim Lapangan akan terdiri dari personel dengan keahlian di bidang pengembangan kelembagaan (ID) atau pengembangan organisasi (OD) dan di bidang sektor yang terkait, dan akan berkedudukan di kantor Bagian Ortala di Pemda yang bersangkutan. Tim tersebut akan
bekerja pada sekurang-kurangnya 3 Pemda dan OPL untuk menyiapkan Rencana Peningkatan Kinerja, yang di dalamnya wajib mencakup ‘Kesepakatan Kinerja Fleksibel’ (KKF).

Berdasarkan pengaturan yang demikian itu, telah disusun proyeksi pengeluaran triwulanan selama 2 tahun, seperti terlihat pada Tabel ES-1.

**Tabel ES-1: Proyeksi Pengeluaran untuk Program MAPP**

<table>
<thead>
<tr>
<th>No</th>
<th>URAIAN</th>
<th>Satuan</th>
<th>Jumlah</th>
</tr>
</thead>
<tbody>
<tr>
<td>01</td>
<td>Perkiraan Jumlah Pendapatan SKPD</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td>02</td>
<td><strong>A SUMBER DANA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 Retribusi atas Pendapatan SKPD</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Jumlah Fee sbgai % pendapatan SKPD</td>
<td>%</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>2 Retribusi lain atas Pihak Ketiga di Sektor</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>3 Hibah dari Propinsi/Pusat</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>Jumlah Pendapatan</td>
<td>Rp M</td>
<td>-</td>
</tr>
<tr>
<td>03</td>
<td><strong>B PEGUNAAN DANA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>04</td>
<td><strong>B.1 Biaya Operasional</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>0.1 Biaya Personnel di Sekretariat</td>
<td>Rp M</td>
<td>415</td>
</tr>
<tr>
<td></td>
<td>0.2 Biaya Operasi Kantor</td>
<td>Rp M</td>
<td>120</td>
</tr>
<tr>
<td></td>
<td>0.3 Biaya Laporan Laporan Program</td>
<td>Rp M</td>
<td>74</td>
</tr>
<tr>
<td></td>
<td>Biaya Minimal Sekretariat</td>
<td>Rp M</td>
<td>609</td>
</tr>
<tr>
<td></td>
<td>0.4 Kepemeritahatan Program/Kepimpinan &amp; Komunikasi</td>
<td>Rp M</td>
<td>293</td>
</tr>
<tr>
<td></td>
<td>Biaya Normal Sekretariat dan Kepemerintahatan Program</td>
<td>Rp M</td>
<td>903</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rp/Citizen</td>
<td>277</td>
</tr>
<tr>
<td>05</td>
<td><strong>B.2 Biaya Investasi</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1 Pilot - Perubahan Struktur Sektor</td>
<td>Rp M</td>
<td>159</td>
</tr>
<tr>
<td></td>
<td>2 Pilots - Perbaiki Proses Penetapan Tarif and Alokasi Sumber Daya</td>
<td>Rp M</td>
<td>644</td>
</tr>
<tr>
<td></td>
<td>3 Pilot - Peningkatan Otonomi SKPD / Operator</td>
<td>Rp M</td>
<td>401</td>
</tr>
<tr>
<td></td>
<td>4 Pilot - Kesepakatan Kinerja dan 'Wasit'</td>
<td>Rp M</td>
<td>443</td>
</tr>
<tr>
<td></td>
<td>5 Pilot - Peningkatan Informasi Kinerja dan Respons SKPD</td>
<td>Rp M</td>
<td>719</td>
</tr>
<tr>
<td></td>
<td>6 Pilot - Peningkatan Kepemerintahan / Akuntabilitas dgn 'Dewan Mai'</td>
<td>Rp M</td>
<td>222</td>
</tr>
<tr>
<td></td>
<td>7 Reserse, Dokumentasi, Diseminasi Informasi</td>
<td>Rp M</td>
<td>689</td>
</tr>
<tr>
<td></td>
<td>8 Pengembaban kapitas - Tingkat Sektor</td>
<td>Rp M</td>
<td>425</td>
</tr>
<tr>
<td></td>
<td>9 Dukungan Peningkatan Manajemen Strategis, Rangka Hukum</td>
<td>Rp M</td>
<td>538</td>
</tr>
<tr>
<td></td>
<td>10 Mendukung Propinsi, PEMDA mempromosikan MAPP</td>
<td>Rp M</td>
<td>870</td>
</tr>
<tr>
<td>06</td>
<td>Jumlah Pengeluaran (1 s/d ..)</td>
<td>Rp M</td>
<td>5,304</td>
</tr>
<tr>
<td>07</td>
<td><strong>JUMLAH PENGELUARAN</strong></td>
<td></td>
<td>6,207</td>
</tr>
</tbody>
</table>

Proyeksi pengeluaran tersebut disusun berdasarkan jadwal kegiatan, dengan kegiatan awal dikonsentrasi pada (i) pemberian dukungan kepada Ditjen PUM, dan (ii) perancangan
secara partidipatif Rencana Peningkatan Kinerja berbasis MAPP. Tahapan pertama ini memerlukan kesepakatan tentang struktur sektor, mekanisme pembayaran dan status dari OPL. Selanjutnya, kegiatan akan beralih kepada penyiapan KKF, perumusan cara pengukuran kinerja dan manenisme pengumpulan dan pengelolaan informasi kinerja. Untuk itu akan diperlukan kegiatan pengembangan kapasitas yang terkait.

Dalam proyeksi pengeluaran tersebut dimuat pula ketentuan yang memasukkan pertimbangan 'manfaat' sehingga memungkinkan dilakukan evaluasi 'rasio manfaat/biaya' (benefit/cos ratio), namun belum dihitung dikarenakan masih banyak data diperlukan dari rancangan proyek percontohan.

Gambar ES-1 menunjukkan penjadwalan Program dimaksud.

**Gambar ES-1   Jadwal Program**

<table>
<thead>
<tr>
<th>No</th>
<th>URAIAN PROGRAM / KEGIATAN</th>
<th>Qtr.</th>
<th>Qtr.</th>
<th>Qtr.</th>
<th>Qtr.</th>
<th>Qtr.</th>
<th>Qtr.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>0</td>
<td>Biaya Kepemerintahan Program / Operasional</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.1</td>
<td>Biaya Personnel di Sekretariat</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.2</td>
<td>Biaya Operasi Kantor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.3</td>
<td>Biaya Laporan Laporan Program</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.4</td>
<td>Kepemerintahan Program/Kepimpinan &amp; Komunikasi</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.0</td>
<td>Pilot - Perubahan Struktur Sektor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td>Pilots - Perbaiki Proses Penetapan Tarif and Alokasi Sumber Daya</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.0</td>
<td>Pilot - Peningkatan Otonomi SKPD / Operator</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.0</td>
<td>Pilot - Kesepakatan Kinerja dan 'Wasit'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0</td>
<td>Pilot - Peningkatan Informasi Kinerja dan Respons SKPD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.0</td>
<td>Pilot - Peningkatan Kepemerintahan / Akuntabilitas dgn 'Dewan Masyarakat'</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.0</td>
<td>Reserse, Dokumentasi, Diseminasi Informasi</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.0</td>
<td>Pengembangan kapasitas - Tingkat Sektor</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.0</td>
<td>Dukungan Peningkatan Manajemen Strategis, Rangka Hukum</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.0</td>
<td>Mendukung Propinsi, PEMDA mempromosikan MAPP</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sekalipun unsur biaya utama dari Program tersebut adalah dukungan tenaga ahli, yang terdiri atas Tim Pusat dan Tim Daerah, cadangan yang memadai sudah dicakup untuk penyiapan dan penyediaan bahan-bahan dan untuk kegiatan yang dilakukan oleh Depdagri guna mengelola Program tersebut. Berdasarkan urutan dari jadwal kegiatan tersebut dalam skedul di atas, rancangan biaya ini sudah dihitung per individu secara triwulanan, untuk jenis kegiatan pengembangan kapasitas dan jenis-jenis kegiatan lainnya.

Tabel ES-2: Ringkasan Input Konsultan dan Biaya Keseluruhan

<table>
<thead>
<tr>
<th>Perincian dari Jumlah Biaya Input</th>
<th>UNIT</th>
<th>TOTAL</th>
<th>Qtr. 1</th>
<th>Qtr. 2</th>
<th>Qtr. 3</th>
<th>Qtr. 4</th>
<th>Qtr. 5</th>
<th>Qtr. 6</th>
<th>Qtr. 7</th>
<th>Qtr. 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jumlah mm expert asing</td>
<td>mm</td>
<td>6.3</td>
<td>0.7</td>
<td>1.3</td>
<td>2.2</td>
<td>2.2</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jumlah mm Expert Lokal</td>
<td>mm</td>
<td>89.4</td>
<td>4.3</td>
<td>8.2</td>
<td>18.8</td>
<td>19.1</td>
<td>10.8</td>
<td>10.8</td>
<td>8.9</td>
<td>8.4</td>
</tr>
<tr>
<td>\udh Tim Pusat</td>
<td>mm</td>
<td>24.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
<td>3.0</td>
</tr>
<tr>
<td>Jumlah Expert mm</td>
<td>mm</td>
<td>65.4</td>
<td>1.3</td>
<td>5.2</td>
<td>15.8</td>
<td>16.1</td>
<td>7.8</td>
<td>7.8</td>
<td>5.9</td>
<td>5.4</td>
</tr>
<tr>
<td>Jumlah Biaya - Persiapan dan Pelaksanaan</td>
<td>Rp M</td>
<td>1,250</td>
<td>140</td>
<td>250</td>
<td>430</td>
<td>430</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Jumlah Biaya - Remunerasi</td>
<td>Rp M</td>
<td>4,621</td>
<td>294</td>
<td>550</td>
<td>1,150</td>
<td>1,159</td>
<td>407</td>
<td>407</td>
<td>337</td>
<td>317</td>
</tr>
<tr>
<td>Jumlah Biaya - 'Biaya Investasi'</td>
<td>Rp M</td>
<td>5,304</td>
<td>364</td>
<td>601</td>
<td>1,262</td>
<td>1,271</td>
<td>524</td>
<td>524</td>
<td>420</td>
<td>337</td>
</tr>
<tr>
<td>Biaya Konsultan sbg % Biaya Investasi</td>
<td>%</td>
<td>81</td>
<td>92%</td>
<td>91%</td>
<td>91%</td>
<td>78%</td>
<td>78%</td>
<td>80%</td>
<td>94%</td>
<td></td>
</tr>
<tr>
<td>Biaya Operasi Sekretariat &amp; Kepemerintahan Program</td>
<td>Rp M</td>
<td>903</td>
<td>102</td>
<td>105</td>
<td>108</td>
<td>111</td>
<td>114</td>
<td>118</td>
<td>121</td>
<td>125</td>
</tr>
<tr>
<td>Biaya Operasi sbg % Biaya Investasi</td>
<td>%</td>
<td>25%</td>
<td>17%</td>
<td>9%</td>
<td>22%</td>
<td>22%</td>
<td>29%</td>
<td>37%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jumlah Biaya Program</td>
<td></td>
<td>6,207</td>
<td>466</td>
<td>706</td>
<td>1,370</td>
<td>1,382</td>
<td>638</td>
<td>642</td>
<td>541</td>
<td>462</td>
</tr>
</tbody>
</table>

Note:  1 mm asing and biaya pendukung tidak ada di biaya 'Tim Lapangan' tetapi semua dikumpul dalam kontrak tingkat pusat

Menjaga Keberlanjutan Sistem Promosi Peningkatan Pelayanan

Bagian 6 dari Blueprint ini mencakup perencanaan kegiatan untuk menjaga 'keberlanjutan program'. Pada bagian ini dicakup struktur program dan mekanisme kerjanya, yang berupa Tim Pengarah Antar Departemen, sebuah Sekretariat (atau Unit MAPP), suatu 'forum' melalui mana para lembaga donor dan pemangku kepentingan utama lainnya dapat terlibat, dan sebuah Tim Konsultan Pusat.

Faktor-faktor sukses yang kritis adalah perencanaan, kepemimpinan dan komunikasi, yang merupakan tugas-tugas Tim Pusat yang perlu mendapatkan dukungan penuh dari Program. Di bidang ini, kegiatan utamanya mencakup perencanaan detail (misalnya untuk penyusunan rencana, untuk komunikasi, pengembangan kapasitas, pengukuran kinerja, dan untuk monitoring) dan pengenalan 'sistem pengelolaan kinerja', yang sekali lagi juga merupakan jabaran dari strategi MAPP.

Tabel ES-3 menunjukkan rencana komunikasi guna membantu mengarahkan Unit MAPP untuk mendorong para pelaku utama untuk menjadi 'supporter' yang kuat dan penuh keteraturan untuk melaksanakan Program MAPP.

Untuk menjaga kelangsungan dukungan tersebut diperlukan suatu Tim Pengarah yang perlu disusun dengan keanggotaan yang patut, dengan rumusan tujuan yang jelas, dengan tugas untuk mengukur kemajuan pelaksanaan, dan dengan secara objektif mengevaluasi kinerja dan melakukan penyusuan-penyusuanan "tanpa ketakutan dan pilih kasih" sejalan dengan meningkatnya pengalaman tentang bagaimana MAPP harus di adaptasikan sesuai kondisi di lingkungan pemerintah daerah. Tantangan untuk mewujudkan koordinasi di tingkat penentu kebijakan tidak dapat diremehkan, karena itu telah diidentifikasi sejumlah kegiatan untuk
merealisasikan tujuan tersebut. Salah satunya adalah pengembangan Strategi untuk Pelaksanaan Program oleh suatu Komite. Blueprint ini harus diadopsi sampai strategi tersebut siap. Upaya lain untuk mengoperasionalkan Tim Pengarah adalah dengan memastikan bahwa Tim ini mengadopsi prosedur yang mendorong agar semua anggotanya berpartisipasi dan merasa turut memiliki Program MAPP.

**Tabel ES-3: Kerangka Rencana Komunikasi**

<table>
<thead>
<tr>
<th>Tujuan (Spesifik)</th>
<th>Target</th>
<th>Pesan</th>
<th>Oleh Siapa?</th>
<th>Kapan?</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bisa menguraikan 8 Strategi Dasar MAPP (melalui 'diklat' dan pemberian insentif bagi Unit dan Pemda)</td>
<td>Personil Unit • Pemilihan Unit tingkat Provinsi • Pembentukan Tim Internal di tingkat Pemda dan OPL</td>
<td>Strategi MAPP bersifat nyata; Strategi MAPP berkait dengan isu yang nyata; Strategi MAPP bermanfaat bagi Depdagri dan Satuan Kerja Utama Pemda.</td>
<td>Manajer Unit dengan dukungan Konsultan</td>
<td>6 bulan setelah Program dimulai</td>
</tr>
<tr>
<td>Meyakinkan Pejabat Depdagri untuk memberikan perhatian lebih besar kepada MAPP (mendapatkan dukungan bagi pengurusan Program, setelah dilaksanakan) (mengidentifikasi anggota-anggota Dewan)</td>
<td>Para Direktur komponen terkait di Depdagri • Anggota-anggota Tim Pengarah yang potensial • Badan Diklat dan Litbang</td>
<td>Baik untuk Depdagri • Baik untuk Pemda • Resiko lebih rendah / pengawasan lebih terjamin • Modern dan berkelanjutan</td>
<td>Manajer Unit • Ketua TWG • Staf DSF • Konsultan</td>
<td>Bulan ke 9</td>
</tr>
<tr>
<td>Meyakinkan institusi-institusi terkait di tingkat pusat untuk mengakui &quot;kebenaran&quot; dalam strategi MAPP</td>
<td>Depdagri • Dep Keu • BPKP • Bappenas • Dep PU, dll.</td>
<td>Bahwa MAPP: • Sah secara hukum • Mendukung solusi-solusi teknis • Mewadahi kebutuhannya • Dapat diadaptasi / disesuaikan</td>
<td>Direktur Unit • Konsultan • Lembaga-lembaga internasional</td>
<td>Bulan ke 12</td>
</tr>
<tr>
<td>Mengidentifikasi tambahan penyandang dana yang potensial (Skala ekonomi dalam ekspansi)</td>
<td>Dep Keu • Lembaga donor • Asosiasi Pemda</td>
<td>Diselaraskan dengan kebijakan pemerintah tentang peningkatan pelayanan • Menghemat investasi</td>
<td>Direktur Unit</td>
<td>Bulan ke 12</td>
</tr>
<tr>
<td>Meyakinkan lembaga internasional untuk menggunakan Strategi MAPP untuk proyeknya (Retensi /ekspansi proyek percontohan)</td>
<td>World Bank • ADB • Lembaga Bilateral</td>
<td>Mengungkap kegagalan di masa lalu tentang ID/OD • Bermanfaat untuk proyek • Membantu penyampaian pelayanan dalam</td>
<td>Para Dirjen yang termasuk dalam Tim Pengarah</td>
<td>Bulan ke 15</td>
</tr>
</tbody>
</table>
Akhirnya, dengan berkaitnya Program MAPP dengan pelayanan pemerintah, baik secara "internal" ataupun sebagai "layanan pendukung", para pemangku kepentingannya berhak mendapatkan informasi tentang bagaimana dukungan pelayanan yang dimintanya telah diberikan. Tabel ES-4 memuat beberapa usulan tentang indikator kinerja yang bisa digunakan untuk merealisasikan tujuan tersebut. Usulan-usulan tersebut akan membantu mengingatkan mereka (para anggota Tim Pengarah) untuk mengalokasikan sumberdaya untuk mendukung perbaikan dan perubahan sistem pelayanan, dengan cara yang berbeda dari sekedar menambah investasi, sebagaimana yang dilaksanakan dalam sistem yang lama.
## Tabel ES-4: Seleksi Program Penggunaan Indikator Kinerja

<table>
<thead>
<tr>
<th>Hasil-hasil: (menunjukkan keberhasilan dari penerapan program peningkatan pelayanan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Tingkat kepuasan Pemda terhadap dukungan Program</td>
</tr>
<tr>
<td>2. Tingkat keluhan atas Program</td>
</tr>
<tr>
<td>3. Tingkat diseminasi kebijakan-kebijakan yang relevan dengan peningkatan pelayanan</td>
</tr>
<tr>
<td>4. Pembuatan perubahan kerangka pengaturan dan perundangan yang spesifik</td>
</tr>
<tr>
<td>5. Prosentase OPL di &quot;pemda percontohan&quot; yang menggunakan strategi MAPP</td>
</tr>
<tr>
<td>6. Prosentase Pemda yang sudah merubah PERDA berkenaan dengan PP 38/2007 dan PP 41/2007 untuk 50% urusan yang menjadi tanggungjawabnya</td>
</tr>
<tr>
<td>7. Prosentase Pemda Provinsi yang sudah mampu memfasilitasi Penda Kab/Kota merancang dan menerapkan MAPP</td>
</tr>
<tr>
<td>8. Berfungsiya Organsasi Program Kepemerintahan (terlihat dari catatan rapat, kehadiran, dsb.)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Keluaran: (yang mendukung pengembangan dan pelaksanaan Sistem/ Program untuk Perbaikan)</th>
</tr>
</thead>
<tbody>
<tr>
<td>9. Adanya statemen kebijakan tentang peningkatan pelayanan</td>
</tr>
<tr>
<td>10. Adanya 'Model PERDA' untuk sektor dimana proyek percontohan di laksanakan</td>
</tr>
<tr>
<td>11. Prosentase strategi MAPP yang didukung dengan modul pemanduan/ pelatihan</td>
</tr>
<tr>
<td>12. Prosentase personil kunci dalam proyek percontohan yang telah mengikuti pelatihan dasar</td>
</tr>
<tr>
<td>13. Prosentase SKPD percontohan yang telah menggunakan KKF</td>
</tr>
<tr>
<td>14. Prosentase SKPD percontohan yang sudah melakukan perbaikan kinerja</td>
</tr>
<tr>
<td>15. Ketersediaan lembar informasi tentang di daerah percontohan MAPP yang mencakup semua aspek CSFs</td>
</tr>
<tr>
<td>16. Prosentase SKPD di daerah percontohan yang meminta dukungan.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Masukan: (yang diperlukan untuk mengahasilkan keluaran)</th>
</tr>
</thead>
<tbody>
<tr>
<td>17. Ketersediaan tenaga ahli internasional pada SKPD percontohan relatif (%) terhadap keseluruhan ketersediannya</td>
</tr>
<tr>
<td>18. Ketersediaan tenaga ahli kelembagaan pada Penda percontohan</td>
</tr>
<tr>
<td>19. Ketersediaan tenaga ahli sektoral pada SKPD percontohan</td>
</tr>
<tr>
<td>20. Ketersediaan tenaga ahli sektoral dan kelembagaan pada personel Provinsi</td>
</tr>
<tr>
<td>21. Prosentase Pemda percontohan yang melaksanakan KKF dengan indikator kinerja</td>
</tr>
<tr>
<td>22. Prosentase SKPD percontohan yang sudah menyusun Rencana Peningkatan Kinerja yang mencakup KKF</td>
</tr>
<tr>
<td>23. Prosentase Pemda percontohan yang sudah membentuk Tim Pengarah</td>
</tr>
<tr>
<td>24. Prosentase Pemda percontohan yang telah membuat Kesepakatan (MoU) dengan Pemda Provinsi/ Ditjen PUM untuk melaksanakan MAPP.</td>
</tr>
</tbody>
</table>
1. INTRODUCTION AND PLANNING FRAMEWORK

1.1 The Blueprint’s Structure

This Chapter sets out the objectives of and background to the Blueprint, which is a plan for helping regional governments improve service delivery using a set of strategies known as “alternative mechanisms of service delivery” (AMSD).

The Plan, after setting out its analytical framework in Chapter 1, takes the following approach to identifying the critical activities:

- Chapter 2 considers the current state of the organizations responsible for managing performance improvement initiatives as well as the institutional environment and systemic matters surrounding service delivery under decentralization
- Chapter 3 looks into the future to identify a desirable and credible future state for a “systems approach” to improving service delivery
- Chapter 4 considers the main activities and strategic issues in a work program required to bring about the new situation
- Chapter 5 sets out the resources (financial and human) associated with the options in the work program; and
- Chapter 6 ends the Blueprint by outlining key implementation, monitoring and evaluation practices to continually improve the responsiveness of a system promoting AMSD, and so guarding its sustainability.

The appendices contain various background details, including descriptions of the basic strategies of AMSD, possible future development and resourcing.

1.2 An Overview of Alternative Mechanisms of Service Delivery

Alternative (Mechanisms) of Service Delivery (i.e. AMSD, or MAPP in the Indonesian language) is a particularly Canadian term used to describe an array of methods government can use in delivery services. As noted in the project document “Initial Assessment – Theory and Practice”, it is often called “New Public Management”, and sometimes (often disparagingly) “contractualization” and “new managerialism”.

AMSD refers to the many and varied organizational forms and delivery mechanisms governments use to achieve their objectives. It is discussed in the Initial Assessment. The basic characteristic noted included:

- strategic issues management: the activities of government are focused on identifying a set of strategic objectives developed in consultation with a wide range of stakeholders; separation of roles (typically policy-making, production and regulating) to enable better design of incentives;
- performance orientation: performance-based budgeting of programs and activities required to achieve the strategic objectives, more precise and strategic monitoring and evaluation, less focus on inputs and more on management for results and heightened accountability;
- rewards: linking remuneration to performance and achievement of goals;
- customer focus: a strong focus on the community as customer and better understanding of the customer and citizen stakeholder perspectives
- autonomy: greater autonomy for managers and employees, including flexible personnel management and merit-based incentive systems;
- structure: flattened hierarchies, wider spans of control and more reliance on incentives and markets to deliver services in accordance with government policy;
- procurement: contracting-out select functions and services to the private sector or through public private partnerships;
- ICT: greater use of information and communications technology;
- continuous improvement: the constant attention in the organization to learning, innovation and continuous improvement.

AMSD is particularly focused on ensuring sector structure (that is, relationships between organizations in a sector) and the structure of each organization within the sector provides clarity, resources and incentives, and consequently increased accountability.

Figure 1.1 developed by the Canadian Treasury Board Secretariat shows the range of “structural” options that AMSD opens by considering the degree of ownership and of control of the SDO.

Figure 1.1  AMSD “Structural” Options²

² BLUDs in Indonesia are somewhere between “utilities” and the SOA (Special Operating Agencies) in this diagram. BUMDs fall between SOAs and “crown corporations”.

The issue for Indonesia is the extent to which these alternatives can be adopted or adapted to Indonesian conditions, and therefore the pros and cons of each and their underlying success factors.

### 1.3 AMSD in Indonesia

#### 1.3.1 Background

There are now more than 500 regional (provincial and local) governments in Indonesia, employing over 2.5 million civil servants. More than 100 of these have been established in the last eight (8) years since the decentralization policy took effect fully on January 1, 2001.

The roles of central and regional governments have changed dramatically since decentralization. Central government is now primarily responsible for facilitating the improvement of regional governments while regional governments are primarily responsible for delivering services – be it setting specific policies, operational planning, delivery, and monitoring and evaluation.

Under decentralization, regional governments in Indonesia are responsible for providing a wide range of services to their communities, but the institutional arrangements that guide service delivery are still under-developed – objectives, authority and accountability are evolving – despite PP 38/2007 - as are simple and widely accepted planning and budgeting rules that aid stable allocation of sufficient budget. Of particular importance for AMSD is the fact that a range of suitable organizational arrangements – largely regulated by PP41/2007 - for implementing services are also evolving. This would facilitate achievement of the much-sought-after objective of form following function.

Institutional arrangements for service delivery are still very much aligned to the paradigm that the government should be the planner, implementer and regulator of all public services. This “big government” paradigm is being challenged worldwide on the grounds of effectiveness and efficiency. A modern paradigm is for services to be provided by the most efficient provider, subject to a clear and agreed specification of service standards. These models may include provision by a traditional “Dinas”, a community-owned provider or a privately-owned provider.

There are however a number of on-going reforms that are now conducive to promoting these alternative mechanisms:

- Under the revised law on regional government, *UU 32/2004*, the concept of minimum service standards (*SPM*) has been adopted as a means for managing the relationship between central and regional governments – the general framework is currently further detailed in Government Regulation (*PP*) 65/2005;

- Functions of government have been assigned between tiers of government under PP 38/2007 so that, not only is it becoming clearer what standards of service are to be achieved, but also which government is responsible. And the next stage of creating an environment which truly provides autonomy with accountability is seen to be the development by central government of norms, standards, procedures and criteria (*NSPK*);
A more performance based approach has been mandated through the law on state finances (UU 17/2003)\(^3\) and various regulations issued which clarify the rules surrounding management of financial resources for governmental services;

Central government itself has been moving in the direction of alternative mechanisms, with privatization of a number of State Owned Enterprises (BUMN), the introduction of Public Service Obligations (PSO) for those services it deems not able to be run on a cost recovery basis and development of a strong focus on good corporate governance of BUMN;

central government are also actively promoting public private partnership (PPP) in infrastructure with the procurement process regulated by Perpres 67/2005 and a number of loans currently in effect from IFI;

A draft revision of Law 5/1962 on BUMD introducing two forms of BUMD and seeking to improve their governance has been prepared and the DEPDAGRI is seeking to have it included in the national legislative program for 2008;

the administrative reform for 2009 driven by MENPAN covers programs to:

- improve governance of the bureaucracy (the draft law on administration fairness within government)
- raise accountability
- develop human resources (a package of regulations and possibly a law on civil service administration is awaited); and
- improve service delivery (which includes a draft law on public service delivery);

PP 23/2005 has created rules for managing finances of a newly created type of service delivery organization known as a *Badan Layanan Umum* (BLU) which is starting to be used as an alternative to BUMD in some PEMDA and which some central departments (e.g. Public Works) are promoting as a means to apply competitive pressures to water companies (PDAM);

PP 41/2007 providing guidelines on the structure of regional government has recently been issued;

PP 6/2008 on evaluation of the implementation of regional governance;

The Directorate General PUM, OTDA and BAKD in DEPDAGRI have been working hard with donors during 2008 on a number of service delivery improvement programs, for example:

- Continued promotion of the establishment of one stop services in PEMDA;
- The introduction of minimum service standards,
- Encouragement of inter-regional cooperation in public service delivery,
- Encouraging ‘out-sourcing’ of service provision to private sector or civil society entities
- The conduct of citizen satisfaction surveys; and
- The solicitation of citizen feedback on services electronically and in other ways.

---

\(^3\) For details, see, among various documents, the AMSD project report titled Legal and Regulatory review (May 2009).
DEPDAGRI have recently (November 2007) issued their “Grand Strategy for Implementation of Decentralization and Regional Autonomy”, which, among seven basic elements includes improving “service delivery”.

The last reference is particularly important as it sets-out the DEPDAGRI’s views on their preferred approach to helping PEMDA improve service delivery which appears to have a number of the AMSD strategies in mind (see Appendix A for a English language translation of the service delivery element).

In this environment of nascent reforms in service delivery, DSF with Government has decided there is a need for identifying, rationalizing and helping promote alternative mechanisms of service delivery. This will help accelerate the trend towards service provision through allowing entry of the most efficient providers.

1.3.2 Objectives of the AMSD Initiative

The objectives of the work under this DSF sponsored initiative, in accordance with the Consultant’s Terms of Reference (ToR) are

(i) assistance to government in the rationalization of different institutional arrangements for the delivery of sub-national public services; and

(ii) aid in the development and implementation of new (contracting) methods for service delivery.

The challenges include:

(i) identifying and putting into resonant language “technical” (i.e. economic, financial and political perspectives) characteristics or “dimensions” of alternative mechanisms

(ii) understanding how these fit with Indonesian conditions and then

(iii) developing plans and helping as much as possible to introduce these through piloting with some regional governments, many who may well be resistant to changing the current way they deliver services.

1.3.3 Consultant Findings re AMSD in the Indonesian Context

AMSD in Canada (and its equivalent in other countries) is a response to the pressures on that government to improve public service delivery. It has developed based on a rationale concerning existing institutions, capacities, missions, visions and values. AMSD in Indonesia will not be exactly the same – it just cannot be adopted, but many of the strategies that underlay AMSD have a rationale that is true even in Indonesia and so can be adapted for the institutional environment in the country.

From the Initial Assessments - (i) Theory and Practice and (ii) Regulatory Framework - the following common dimensions or strategies may be applicable for improving PEMDA service delivery:

Figure 1.2 summarizes the eight strategies and the main tools for their deployment.
Clarity of objectives, roles, authority and responsibilities by:
- Clarifying objectives
  - Visioning / mission statements
  - Strategic management & planning
  - Performance Based Budgetting
  - MTEF
  - Strategic Evaluations / Auditing
- Simplification / rationalizing programs
- Separating policy-making, regulation (gov.) from implementation, enforcement (any efficient service provider)
- Clarify the relationships between actors using written agreements (“Flexible Performance Agreements”)

Resources: set service charges so as to cover production costs, wherever possible:
- User-pays for “private goods”
- Disconnect from APBD to improve predictability, link quality and resources
- Incentivize funding; base on results

Raise consequences (rewards and punishment) by:
- Mobilize market: “Enterprise management” (BLUDs, BUMDs. internal competition)
- Use competition to incentivize: Market-testing (contracting-out), Benchmarking: Activity Based Costing (ABC)

Put the Customer “in driving seat”
- Give customers choice (PSO / CCT’s, Vouchers)
- Customer Quality Assurance
  - Citizen Charter, Scorecards
  - Customer Service Standards
  - ISO 9000, TQM,
  - Systems for Customer Satisfaction, Complaints

Empower Service Delivery Orgs. while retaining control of policy
- Trade autonomy for accountability
  - Give admin. flexibility to UPTs, Badan, BLUD, BUMD (budget, HRM, procurement, audit etc.)
  - Build organization capacity; e.g.
    - Internal re-organization (like 1)
    - ISO 9000 certification; TQM
    - SOP / process improvement
    - ICT; work-teams

Empower the Private Sector and Community
- Use Profit motive/incentive and feelings of “ownership” to:
  - Increase investments
  - Raise efficiencies
  - Broaden access to skills
  - Improve governance
  - Trigger and lock-in reforms

Restructure service sectors:
- Devolution (to kecamatan & desa, for example)
- Horizontal and vertical (un)bundling of production
- Cross-sector (un)bundling
- Competition rules

Capture economies of scale/scope, develop/utilize specialization, raise transparency and accountability, and incentives

AMSD is founded on reducing bureaucratic behavior and raising the use of incentives through:
- Clarity of the future direction of government, programs and roles
- Consequences of performance
- Customer focus
- Controlling policy but not implementation methods
- Cultural change inside Service Delivery Organizations and their employees

4 The elements are not mutually exclusive, e.g. 1 and 7 are closely related as are 2 with 3, 3 with 8 and 5 with 8
The eight strategies proposed are:

Strategy 1 - Clarifying roles, objectives, accountability and authority
Strategy 2 – Paying for performance, including cost-reflective pricing of services
Strategy 3 - Raising the consequences of good or bad service (rewards and punishment)
Strategy 4 - Putting the customer “in the driving seat”
Strategy 5 – Empowering Service Delivery Organizations and Employees (without losing control over policy)
Strategy 6 - Changing Service Deliverer Organizational Culture
Strategy 7 – Changing Sector Structure
Strategy 8 – Cooperating with the Community and Private Sector.

Appendix B (Description of AMSD Strategies) outlines each of the proposed strategies and lists for each a number of “tools” that can be deployed to implement the strategy. Even longer lists of tools are described in Appendix C (Checklists of AMSD Strategies).

The “structural” and behavioral aspects of AMSD have particular relevance in the Indonesian context because of their emphasis on putting SDOs “at arms length” - in other words formalizing the relationships between the owners (PEMDA) and the operators (their UPTs, dinas’, public service bodies (BLUDs) and regionally owned enterprises (BUMDs). In Indonesian society where informality is so prevalent, this move is fundamental to achieving more professionalism in service delivery.

AMSD strategies favor “restructuring” sectors to improve clarity of objectives, transparent payment based on incentives that encourage SDOs to deliver quality services or suffer the consequences. Appendix D describes the effect that introduction of a full set of AMSD strategies should ideally have on the service in question.

These strategies need a “process” that delivers them, or that “controls” the system in which one or more of them can be implemented. The key tools in the deployment of these strategies are:

(i) Use of a “Flexible Performance Agreement” (often called a “Performance Contract”) between the “owner” and the “operator”. This agreement provides a mechanism whereby the “meta-strategy” of AMSD (providing more autonomy to the operator in return for increased accountability) can be mobilized.

(ii) “Performance management” of key personnel in the service delivery organization; and (most fundamentally).

(iii) Measurement and monitoring of performance (in order to make effective both of the previous tools).

In preparation of the checklist and descriptive materials by the Consultants, from their various interviews and from their field work, a number of important points with respect to implementation became clear, including:

- Many of the AMSD strategies already have been deployed in Indonesia (although most have never been given a generic title and often the underlying rationale of motivating factors has rarely been articulated);
There have been many initiatives from the Government, donors and PEMDA themselves to improve service delivery but nevertheless, the adoption of innovative mechanisms is perceived to be too slow;

If progress is not as hoped for, one reason is that many of the strategies have been applied in isolation – for example separating policy and implementation as often happens with introduction of private sector participation probably requires simultaneous improvement in the governments’ own strategic planning (another part of Strategy 1) as well as deployment of the “consequences” strategy;

On this basis, successful service improvement probably will require deployment of at least two AMSD strategies (if not more) in any PEMDA;

Simultaneous deployment of strategies also demands top-class coordination among the sponsoring departments – and coordination among departments of government is perhaps the greatest operational challenge facing the Government in Indonesia

A critical success factor is simultaneous reform of the core agencies – SEKDA (providing strategic direction and administration), BAPPEDA (planning), Badan Keuangan dan Kekayaan Daerah (the financing and asset management functions), Badan Kepegawaian Daerah (personnel management) and Badan Pengawasan Daerah (audit) to play a more “steering” role;

This reform of core agencies is founded in planning and budgeting reform, which is still being unfolded by the Ministry of Finance, BAPPENAS and DEPDAGRI;

AMSD at heart is an approach in which changing “organizational structure” and granting flexibilities in exchange for increased autonomy are key features; whereas some argue that the approach being promoted by MENPAN and perhaps DEPDAGRI is to force “standardization” on PEMDA. In other words, a key feature of AMSD is increased flexibility and de-bureaucratization, while the direction MENPAN seem to be pursuing is increased control and standardization, and therefore, of increased of bureaucracy.

This list of findings provides the outline of many of the activities under this Blueprint.

### 1.4 The Objectives of the Blueprint (a Strategic Management Plan)

This Blueprint is a Strategic Management Plan providing a blueprint for achieving success in a program to help PEMDA improve service delivery using the strategies of AMSD. Being a plan, it is worth little if it is not implemented, so the Plan also includes matters (“planning to implement”) that might otherwise be left to the implementation stage of a program, but that without planning, will be poorly implemented, if at all.

Why a “Strategic Management Plan”? The contention is that, like the PEMDA and the way they manage their agencies that would implement AMSD, a system for promoting AMSD itself needs to be intentionally managed in a manner that ensures it remains relevant to its fast-changing environment, or in a manner that gives it direction. To manage strategically, the top management of the Government need to:

1. Develop a clear picture or vision of where it wants to be in the future
2. Identify and quantify the gaps between that and its current position
3. Design and implement a set of coordinated activities for getting there (“strategies”) along with a set of performance indicators that demonstrate progress; and

4. Create and implement a further “implementation strategy” for sustaining this future state.

Figure 1.3 shows these fundamental components of the Plan, which reflects the approach of so-called “strategic management” itself\(^5\) and is a key strategy (often the first) of AMSD.

**Figure 1.3 The Fundamentals of Strategic Planning for the Program**

1.5 The Plan as Part of a AMSD Program

1.5.1 Planning Provides the Baseline for a Service Delivery Improvement Program

As noted above, if not implemented, a plan is worth little. As the saying goes, “planning without implementation is a daydream – and implementation without planning a nightmare”. It needs to be part of a larger system of management that is strategic or “result-oriented” in itself.

\(^5\) Strategic management has much in common with the “management by objectives” approach, but in the approach advocated here involves all recognizing that people are human and need to be involved in their work.
Even if implemented supposedly “according to plan”, a plan is still not worth much if the myriad of assumptions on which it is based are not confirmed by monitoring, evaluation and feedback into the planning process. These assumptions include the precise PEMDA requirements with respect to the support needed from higher government for introducing AMSD as well as with respect to other stakeholder needs, correctness of objectives, the processes that deliver the best results, and quantity and quality of resources used as inputs.

It is very helpful if the Plan is used to better understand how to correctly adjust the Program to suit the (changing) environment. Working to plan is a vital part of any management system designed to ensure continuing relevance of the AMSD Program. The concept of “say what you are going to do, then do what you say” is simple, but seems to get lost in the daily rush faced by Government personnel under pressure to conform to all sorts of administrative requirements.

It is worth noting that the “system” noted here (the fundamentals of strategic management of Figure 1.3 is just a variation of the “Plan, Do, Check Act” cycle of quality management systems as promoted by the SNI/ISO 9000 series of standards for quality management. “Systems thinking” with its focus on inputs, process, outputs and system boundaries is an important feature of successful management systems and so for any needed to (systematically) improve service delivery using AMSD.

1.5.2 Why is a Strategic Management System Important?

There are three strong reasons to introduce a strategic management system (SMS) approach with which to manage a program for promoting AMSD:

1. A strategic management approach is needed to prevent the Program losing direction by keeping it relevant to its main stakeholders. Strategic management, and especially the planning stage, is needed at present to clarify the objectives and the strategies for their achievement before the Program loses the current goodwill of stakeholders;

2. A Strategic Management System, by creating clear objectives, promotes effective and efficient use of public resources, through allowing the introduction of performance budgeting to the Program (which reflects the way central government now require local governments to operate under Law 17/2003);

3. Further, the success of the Program as a performance improvement tool requires the PEMDA and their agencies to be manage more strategically, i.e. to develop themselves a system of strategic management. If the organization promoting AMSD cannot or does not manage strategically, it will be difficult for them to show PEMDA how to manage strategically. Development of a strategic management system for promoting AMSD provides a valuable experience and a model to demonstrate to PEMDA how a key component of Strategy 1 of AMSD should be used.

Strategic management of the AMSD Program has a number of other benefits – they include:

4. The process of routinely assessing present and desired future situations helps align stakeholders goals and so reduces conflicts and improves decision-making

5. Better adaptation to a rapidly changing political, social and technological environment

6. The objectives-setting activities helps focus attention on the high priority activities
7. Development of a set of performance indicators helps in clarifying objectives and creating incentives
8. The indicators form the basis for the measurement of progress year-to-year, thus promoting continual improvement
9. The annual cycle fits well with that required for any service delivery operation
10. More satisfaction for personnel as their objectives become clearer and work becomes more meaningful.

In summary, introducing a strategic management system for the AMSD promotion program will continually improve its objectives and keep it relevant to emerging needs, thus improving its sustainability. Strategic management should move a current under-coordinated and ad-hoc program from having little direction to one where its objectives are clear and continually updated, resources used effectively and efficiently and it is responsive to its stakeholder needs.

1.6 Approach of the Plan

The Plan is developed by following the steps outlined in Figure 1.3. In doing so, the immediate challenges are to decide (1) what is the “system” whose state needs assessing (2) what are the “dimensions” for assessing these “states” and (3) how do these dimensions relate to one another to achieve a successful outcome or result.

1.6.1 A Systems Approach – But What System?

In regard to the system which will be the AMSD Program, it is suggested there are three levels, these being the institutional, organizational and the personal levels, as shown in Figure 1.4.

The institutional level considers the relationship of an organizational unit for helping PEMDA improve service delivery (referred to as “the Unit” and, as will be explained later, is seen to be within PUM) with the key institutions responsible for service delivery improvement. Inclusion of this level acknowledges that many of the forces on a Unit are external to it, but influence it by determining stakeholder requirements, the resources the Unit is granted, the way its services are performed, the measurements and analysis made on that performance and the consequences of stakeholder satisfaction with the performance of the Unit. Analysis at this level is particularly concerned with identifying opportunities and threats to sustainability of the Unit and the AMSD Program. This level naturally is fraught with political nuances.

The organization level considers the dimensions of a successful organization. Analysis of the system at this level is mainly concerned with the internal competencies of the PUM Unit and how the organization is able to respond to the external institutional level opportunities and threats. It therefore is oriented to identifying the strengths of the Unit and its qualities in the eyes of the stakeholders, its ability to seize opportunities and to lessen external threats and neutralize internal weaknesses.
Figure 1.4  Situation Analysis of Improvement Programs at Three Levels

THE SYSTEM

1 Institutional
(or network of organizations)

2 AMSD Support Organization or “Unit”

3 Individual

THE DIMENSIONS OF THE SYSTEM

1. PPESTT
- Political Environment
- Physical Environment
- Finance & Economic
- Social
- Technological
- Trade

2. Resources Providers

3. Competition

1. Leadership & Innovation
2. Customer & Market Focus
4. Process, Product and Services
5. Data, Information & Knowledge
6. People
7. Results

1. Hard Systems
- HRM Planning, MIS
- Recruitment, Selection, Induction
- Work Design
- Training and Development
- Performance Management
- Pay and recognition
- Work contract and security
- Laws, Health, Safety,

2. Soft (Incentive) Systems
Finally, the individual level is important because in the end all actions depend on having “the right man in the right place at the right time”. Individuals are the essential foundations, or inputs, required to make the AMSD Program run satisfactorily.

### 1.6.2 The Dimensions or Factors

Figure 1.4 also shows the key dimensions for each of the levels.

For the institutional level, they are commonly grouped according to “forces”, “resources” and “competitive position”. Forces classically include the headings of political, physical environment, economic, social, trade and technical, or “PPESTT”, to indicate their likely effect if these environmental factors are disregarded for any length of time. Resources considers from where the organization gains the resources it needs to operate while the competitive position is the “five forces” model for understanding the likely nature of competition within the “sector”.

At the organization level (taken to be the Directorate), the factors chosen are leadership and innovation, customer and market focus, strategy and planning processes, people, processes, product and services, data, information and knowledge and actual results. These factors have their origins in Total Quality Management concept and are very similar to the “aspects” that PP 6/2008 require be evaluated for each SKPD in PEMDA.

The individual level is concerned with both the “hard” management processes of human resources that puts “the right man at the right place at the right time”, but may not guarantee his commitment or motivation, and the “soft” systems and processes, which is needed to motivate personnel.

### 1.6.3 How Do These Dimensions Interact?

The framework used for understanding the system for managing the AMSD program can be the same one used to develop the individual AMSD projects. But, instead of measuring performance of the service deliverer, the framework measures performance of the AMSD Program Unit itself. The specific indicators are obviously different, but the general hierarchy of cause and effect should be just as applicable.

It is suggested the entry point is establishing clear objectives and roles, rather in the fashion of AMSD Strategy 1.

### 1.7 The Strategic Planning Methodology

The foregoing explains that one of the central ideas of strategic management is to set objectives, prepare plans, including to measure results, compare with plans and then act to ensure objectives are better achieved. It is heavily biased to measuring the achievement of objectives and acting on fact rather than intuition. All AMSD programs should have a similar orientation.

How to best work through these steps? **Figure 1.5** shows the steps used in this Plan:
Figure 1.5: The Strategic Planning Process for Piloting AMSD

1a. Mandate and Mission
1c. Stakeholder SWOT Analysis

2. Customer Focus / Gap

3. Vision, Norms, Values

4. Strategic Objectives incl. AMSD Strategies

5. Critical Success Factors (under control of organization)

6. Specific Objectives incl. AMSD Strategies

7. Performance Measurements

8. Performance Indicators

9. Targets for Indicators

11. Change Management Plan
   Actions Planned to realize objectives, with resources reporting and accountabilities

10. Performance Scorecard

12. Evaluation and Feedback
The process reflects a more detailed view than that of Figure 1.3

1. Steps 1 and 2 assess the current situation using the three levels of dimensions
2. Steps 3 and 4 look into the future
3. Step 5 is the first to consider how to get to the future, by identifying strengths and weaknesses of the AMSD Unit (commonly called “core competencies” or “critical success factors”) while Steps 6 to 9 further clarify objectives and so actions to change the AMSD Unit; and
4. Steps 10 to 12 are plans designed to implement and sustain the changes.
2. THE CURRENT STATE OF IMPROVING SERVICE DELIVERY

This section briefly examines the current programs and roles and responsibilities of various key agencies, as well as key stakeholders’ interests and then attempts to identify where there may be gaps in central government efforts to improve services. It is based on the presumption that the DEPDAGRI is the appropriate “owner” of a program to improve service delivery using the AMSD strategies and the Directorate General for General Government Affairs (DG-PUM) and its Directorate for De-concentration and Cooperation, and especially the Sub-Directorate for Public Service Delivery (Sudit PUP) within it is the appropriate implementer.

2.1 Current Programs to Help PEMDA Improve Services

Starting with the current situation, the Blueprint first identifies the important trends influencing the central government efforts to improve service delivery. Future activities are difficult to plan without taking into account the current situation, and therefore “gaps” which activities need to close.

For the record, Appendix C identifies a selection of current programs, mainly of core departments – MENPAN, BAPPENAS, Finance and Home Affairs. The following are thought to be particularly significant among these “core agency institutional strengthening” programs:

1. Projects such as CIDA’s Governance Reform Support Project, GTZ’s ASSD and GLG, USAID’s LGSP and DRDP and various AusAid projects that focus on improving central governments ability to help improve the core administrative processes of PEMDA;

2. Update of the “Accountability System for Government Institutions (SAKIP) is improving Keppres 7/1999, which requires all government organizations - central, provincial and local - to produce an annual accountability report. As the effort is now lead by MoF and is being tied to PP 8/2006, this version is expected to have more impact than the last;

3. Update of Law 17/2003: This law provides the foundation for all efforts to introduce performance based budgeting. Without that, achieving the “autonomy for accountability” trade-off at the heart of AMSD becomes difficult;

4. On-going efforts to introduce Minimum Service Standards (SPM) by DG-OTDA of DEPDAGRI with support from GTZ-ASSD and USAID-LGSP that will provide standards against which service delivery can be judged for basic services;

5. Introduction of “service contracts” and ICT based complaint handling systems by DG-PUM, with USAID backing;

6. Introduction of a methodology for “Service Improvement Action Planning” (SIAP) by DG-PUM with USAID – LGSP backing;
7. MENPAN programs focused on improving the customer experience – with AusAid support for such programs as “Peningkatan Kualitas Pelayanan Publik Melalui Partisipasi Masyarakat Dalam Rangka Mewujudkan Kepemerintahan yang Baik” (beginning in 2004);

8. DG-Adminduk within DEPDAGRI with support from GTZ-PAS are developing modules for training PEMDA in population administration;

9. Ford foundation work with PEMDA on “citizen charters” for select services – population administration in Yogyakarta as an example;

10. The Infrastructure Sector Development Projects (ISDP) being run by BAPPENAS, which aim to encourage much greater private sector participation in infrastructure and which are backed by very large loans;

11. Sectoral programs, say by BPPSPAM, the Public Works Department body responsible for helping improve performance in the piped water supply sector and PERPAMSI on benchmarking;

It is observed however that all these efforts tend to be stand-alone. They tend to focus on just one of the AMSD strategies, and therefore as noted, tend to lose the synergy of a number of strategies in combination and that is needed to make a sustainable change in service delivery. It is suggested that the missing link, the broader logic is provided by the eight AMSD strategies. With the AMSD strategies in mind, it is possible to see that change in “core” or “steering” functions that MoF / DEPDAGRI / MENPAN are working on are “AMSD Strategy 1” interventions and are needed to compliment the more sectoral/technical-solution focused AMSD Strategies 2 through 8.

Provincial efforts are not included here, although it is known that some, such as East Java, are making specific efforts in various fields, such as regulating service characteristics.

### 2.2 Directorate General PUM’s Mandate and Mission

Despite (or perhaps because of) the fundamental importance of service delivery by PEMDA, responsibility for helping PEMDA is spread across nearly every Government agency. However, because of its role as the architect of decentralized government design, and as the primary facilitator of regional government performance improvement mandated under Article 222 of Law 32/2004, DEPDAGRI should be a key player in any program to promote AMSD.

Within DEPDAGRI, the three key units with respect to AMSD are:

- Directorate General for Regional Autonomy, whose role is one of “architect”, i.e. primarily policy setting;
- Directorate General for Regional Finance – as a “technical” agency promoting sound financial management; and
- Directorate General for General Government Affairs (DG-PUM), as a “technical operator” or “implementer”.

**Box 2.1** contains a copy of the DG-PUM mandate.
### Box 2.1: Main Duties and Functions of DG of General Government Affairs

#### First Part – Position, Duties and Functions

**Article 100**

(1) The Directorate General of General Government Affairs is an implementing unit of the Department in the affairs of general governance.

(2) The Directorate General of General Government Affairs is lead by a Director General who is beneath and responsible to the Minister.

**Pasal 101**

The Directorate General of General Government Affairs is tasked with formulating and implementing policy and technical standardisation in affairs related to general governance.

**Pasal 102**

In undertaking its tasks as in Article 101, the Directorate General of General Government Affairs performs the functions:

- a. Provides draft policies of the Department in the affairs of deconcentration and cooperation, regions administration and borders/boundaries; stability, order and community protection; special zones and authorities, as well as management of disaster prevention and response;
- b. Implements policies in the affairs of deconcentration and cooperation, regions administration and borders/boundaries; stability, order and community protection; special zones and authorities, and management of disaster prevention and as well as developing management capacity for fire-fighting in accordance with the stipulations of valid regulations;
- c. Formulates standards, norms, criteria and procedures in the affairs of deconcentration and cooperation, regions administration and borders/boundaries, stability, order and community protection, special zones and authorities as well as management of disaster prevention and response;
- d. Provides technical guidance and evaluation;
- e. Implements administration of the Directorate General.

#### Second Part – Structure of the Organisation

**Article 103**

(1) The Directorate General of General Government Affairs consists of:

- a. Secretariate to the Directorate General;
- b. Directorate for Deconcentration and Cooperation;
- c. Directorate for Regions Administration and Borders/Boundaries;
- d. Directorate for Stability, Orderliness and Community Protection;
- e. Directorate for Zones and Special Authorities;

(2) The Secretariate of the Directorate General and the Directorates as referred to in sub-article (1) are lead by a Secretary and Directors, who are beneath and responsible to the Director General.

#### Third Part – Secretariate to the Directorate General

**Article 104**

The Secretariate to the Directorate General has duties in providing technical and administrative services to all elements surrounding the Directorate General.

**Article 105**

In implementing its duties in Article 104, the Secretariate of the Directorate General undertakes the functions of:

- a. formulating plans and programs as well as preparing draft legislation;
- b. compiling budgets and managing funds;
- c. implementing administration and procedures;
- d. managing facilities, personnel and household affairs.

Source: Kepmendagri 130/2003
Article 100 is important – the DG-PUM is responsible for implementing (not making policy?) in the field of general government affairs and Article 102 gives them the mandate to make policy in this field. In the absence of other units being specifically tasked with coordinating programs for improvement of service delivery, it is appropriate DG-PUM take on this role. In fact, improved results in this endeavor demands a unit such as DG-PUM taking on seriously a coordinative role.

The clear overall purpose of DG-PUM do not appear in any formal or legally binding document, be it from the government or from a law. One is needed to guide decision-making and actions for support to PEMDA, including for AMSD.

2.3 The Current Institutional Environment

The main forces and trends influencing efforts (which can hardly be described as systematic, or “a system), using the “dimensions” of Figure 1.4, are discussed below.

2.3.1 Political, Physical, Economic, Social, Trade and Technical (PPESTT) Forces

**Political Environment:** Two major forces prevalent in the sector at present are decentralization and democratization. Under Law 32/2004, local governments are primarily responsible for provision of services, and so performance of their SDOs. This means that central government can no longer mandate performance requirements such as those in the Ministerial Guideline 47/1999 related to water supply (not that they were ever heeded closely in the past). It does mean that SDOs management must respond more to local demands and be more transparent and accountable, which should make them more demand-oriented, so long as the demands are not just those of the local elite.

A program to improve service delivery using the well tried (internationally) mechanisms of ASD thus appears opportune as a means of creating a common framework to assess performance and strategy. If “mutual ownership” arrangements between key central government actors can be achieved in its governance, the Program offers a means of creating national standards and approaches at a time when central government is somewhat at a loss to impose their will, supposedly in the national interest, on local government.

Democratization is also having an impact, especially since Mayors and Regents will begin to respond to the community, especially after 2009. While this process is also likely to make the PEMDAs and SDOs more responsive to local demands, it threatens to introduce short-term views into services delivery which actually needs to balance many views and often should take a long view due to the large investments needed in the infrastructure sectors. The Program should be welcomed by Mayors and Regents wishing to improve accountability, so long as the numbers prove friendly.

AMSD however presents a particularly strong set of political “challenges” to stakeholders because, not only does it concern organizational and personnel change, it concerns very much power and especially accountability. One only has to see how attempts to make government agencies more accountable for performance under initiatives such as the “SAKIP” initiative of Inpres 7/1999, and later (and ongoing) attempts to introduce performance-based budgeting (Law 17/2003, 1/2004, 15/2004 and 25/2004 being the key drivers). In this regard,
discussions with PEMDA have confirmed that these challenges remain in regional government (see Box 2.2 for a general list of “critical success factors” for the AMSD strategies, particularly those involving performance measurement, management and agreements). The success of the AMSD Program will depend on the handling these factors, both in PEMDA and at the central level.

**Box 2.2: Critical Success Factors for Improvement using AMSD Strategies**

1. Mutual understanding between the parties on "key performance indicators" (KPI) and agreement on associated targets.

2. Formulation and use of the "Flexible Performance Agreement" (FPA) is fully supported by key regional government officials, and not treated just as a formality.

3. Exists a party that promotes and facilitates negotiation of the FPA who is perceived to be fair, has no conflict of interest and is not inordinately close with power holders.

4. Regional government, that is SEKDA (and his work units) and / or the Head of Region do not intervene at a micro (management) level.

5. Regional government, that is SEKDA (and his work units) and / or the Head of Region provide feedback routinely on KPIs and the FPA, and do not intervene at a micro (management) level.

6. The resources agreed in the FPA are made available, generally for more than 1 year.

7. KPIs are determined based on a balanced perspective, i.e. from the perspectives of finance, the customer, business process and personnel / enablers.

8. There exists accountability to the community, with approval from community representatives concerning certain indicators.

9. There is an "umpire" for the FPA who is professional and sufficiently independent and credible in the eyes of the two parties to the FPA.

10. Risks have been considered and some "contingency plan B" exists for overcoming them.

11. The SDO is not required to continue the many reports that have no use; new reports requires old one to be discontinued.

12. Commitment and skills of the head of the Service Delivery Organization (SDO)

**Note:** These factors are particularly relevant to those AMSD strategies that involve performance measurement, management and agreements

**Physical Environment:** An AMSD Program is not particularly demanding of IT equipment and physical assets, nor is it impacted by the physical environment. It requires “brainpower”, particularly coordinative expertise. And like all change programs, because it is not physical, it can be overrun by programs offering physical investments. Every opportunity should be taken to give a presence to any AMSD program, through use of advertising, promotion, symbols and the like.
**Financial and Economic considerations:** Putting aside questions of amount of and sources of funding of services, and (unfunded) mandates, the obvious issue is who will pay for the AMSD Program? Users of the output (mainly PEMDA) cannot be asked to pay for any support at this stage, so, central government should plan to fund all central costs, and perhaps certain PEMDA costs which might be classified as “incremental” or “start-up” or in the greater public interest because they will benefit all PEMDA (some aspects of pilot projects could fall into this category).

**Social:** See Box 2.2, in which many of the success factors involve basically the understanding of the “personal / social” aspects of bureaucracy. From the community perspective, there is no doubt that improved services are strongly desired and government plans to improve them will be well supported.

**Trade:** Of little relevance, other than to note that international financiers, such as the World Bank and private financiers want results for their own “investments” in service delivery improvements, and therefore can be expected to strongly support any program focusing on improving SD.

**Technical:** The key point here is that AMSD consists of a set of institutional and organizational development (ID/OD) strategies and not just technical solutions that can be adapted for Indonesian conditions, but not just “adopted”. The ID/OD “technical” aspects of AMSD nevertheless need to be mastered and this presents a challenge in itself for all actors – be they central, provincial or local officials who become involved in service delivery improvement using AMSD.

Each PEMDA and sectoral SDO faces a different physical environment and so each has a different set of technical solutions incorporated into service delivery systems. Each therefore operates with a unique environment which make transfer of AMSD lessons from one PEMDA to another difficult - how it is possible to compare “apples with apples”? There is truth in this issue at the micro level, so it is important for the AMSD Program to be able to distinguish at least “peer groups” of AMSD solutions.

Central government however needs always to be vigilant for AMSD programs which are applicable to only a few PEMDA and to be able to distinguish them from those that are widely applicable. For the main Program, the orientation has to be to understand and measure broad results or outputs from ID/OD and work with sectoral agencies to related to technical improvements.

It is also noted that information and communication technology (ICT) is now quickly entering PEMDA. Maximum use of it is indicated, while remaining aware that many of the senior PEMDA managers regard it with suspicion.

### 2.3.2 Resource Controllers

“Controllers” are paying customers, budget providers, budget overseers, regulators and auditors.

**Paying customers:** There is little likelihood that PEMDA will pay any costs incurred at the central level for an AMSD promotional program, but they should pay the expenses most
associated with their own AMSD program. Training provided by Pusat concerning AMSD should increasingly be paid for by PEMDA as a means of ensuring more ownership (and to demonstrate “Strategy 2” of AMSD).

Heads of regions, SEKDA’s and DPRD will pay for AMSD programs using APBD funds. Like most customers, they want “value for money” from “their” investment. It seems clear that each year they will expect more from any AMSD program, without more payment. Satisfying this expectation is likely to be a major objective of each AMSD project and the AMSD Program overall.

**Budget providers:** These are the various stakeholders, who are likely to contribute to the upkeep of the System. The largest at present is MoF, DEPDAGRI proper and PEMDA themselves, which rightly entitles them to the major voice in direction of the AMSD Program.

**Regulators of Budgets:** At central level, Department Inspectorates, BPKP and BKP have an interest in ensuring efficient and effective use of state funds. They should be kept involved and in fact, ultimately could contribute technical aspects to the AMSD Program.

**Purchase of Inputs:** The Unit at present does not control any of its own finances; it operates entirely under DEPDAGRI administrative regulations and the direction of DG-PUM.

The personnel of the Unit have little formal responsibility for outcomes under current arrangements and so it is difficult to hold them accountable. This is similar to the situation of the SDOs that the AMSD Program targets and (ironically) would trigger thought on the AMSD meta-strategy of “trading autonomy for accountability”. With this in mind as well as the problem identified of poor coordination, in the long term, consideration might be given to creating a more independent organization that brings together some of the key AMSD actors and which acts more as a “internal consultant” on improving service delivery. Whatever, increased autonomy in exchange for increased accountability should be considered for any organizational unit implementing the AMSD Program.

**Governance and Accountability:** In the longer term, it must be questioned whether placing the Unit directly under a Directorate General is the best way of giving resource providers and clients a voice, as they will expect. There is little autonomy at present and therefore little accountability. Turning around this situation is possible through results-oriented management of the Unit, and in the longer term, establishment of a governing “board” or committee for the AMSD Program. This is likely to improve performance while giving the resource providers a say in the direction of the Unit. As noted, in many ways, this is the classic prescription for improving the service delivery organizations themselves, so giving the Unit first-hand experience would do no harm.

In the meantime, establishment of a Interdepartmental Team or Steering Committee for coordinating and strategic management of the AMSD Unit is considered important.

**Reporting and Audits:** Key reports by which the results of service delivery can become known presently are:

- Financial and performance reports under PP 8/2006
- Development oriented reports under PP 39/2007
- Governance oriented reports under PP 3/2007

All these reports, where they are actually produced by PEMDA, are considered far from being “mature” at present and tend to be extremely focused on either recording use of inputs or describing the results of government spending in abstract terms.

There is no known formal requirement of SDOs or the PEMDA to report quantitatively to the community on service standards, to provide regular information in understandable terms to the community, nor to allow access by the community to key decision-making processes. The annual *musrenbang* process is not a suitable process for this.

With respect to AMSD, the continued presence of these reports at SDO level will challenge one of the key success factors when introducing the “autonomy – accountability” trade-off for SDOs, that is, new accountability process requiring new reporting needs the removal from the rulebook of all the old “baggage” of reporting requirements. This “flexibility” is one that could be granted by PEMDA “steering” organizations to the SDOs.

Like reporting, SDOs also face a barrage of audits every year. Driven by Law 15/2004 on audits, PP 56/2005 spells out rules that supposedly apply to all units of government. Further regulations have been enacted through a number of Home Affairs Ministerial Regulations (Permendagri), so there is considerable scope for simplifying the rules, which might provide the opening for the “flexibilities” that will need to be traded for accountability.

### 2.3.3 Competitive Forces

As noted, there are a number of initiatives underway regarding service improvement; all these represent “competition” for AMSD, and potentially confusion in the minds of PEMDA as to “whose product” to support. How does the AMSD Program relate to them?

*Alternative services, new entrants, power of customer and supplier:* Alternatives that PEMDA might consider when planning to invest in service improvement include:

- the Ministry of Home Affairs’ (DEPDAGRI) minimum service standards promoted by OTDA
- the capacity development efforts based in PP 6/2008 on evaluation of PEMDA (again OTDA)
- Some low level efforts by BAKD / DEPDAGRI with respect to improving BLUD / BUMD performance
- Promotion of the SAKIP approach by MENPAN / BKPK and Ministry of Finance
- Various “trials” in service delivery improvement run by MENPAN – particularly through its Deputy for Public Services Improvement (*Deputi Pelayanan Publik*)
- Various initiatives by technical ministries (often poorly designed and funded because of the focus of support on operations and investment); and
- Various donor initiatives (particularly USAID and AusAid).
There are also a number of multilateral donor supported sector projects.

These all are competitors able to reduce the effectiveness of a AMSD Program, but on the other hand can also be supporters because of the need that most projects have for better coordination and well founded ID/OD strategies.

An opportunity to test the “competition” was presented by the October 13 “kick-off” workshop held at the Aryaduta Hotel (see papers at Appendix E). Representatives from the key central departments were present, except BAPPENAS. In the discussions that followed the presentation there was wide agreement that the strategic elements were relevant and most present were able to relate efforts of their own organizations to deploy one or more of the strategies (one observation however was that each tended to working on a particular strategy in isolation from others).

It is suspected that the real competition will come from technical departments and agencies who may be wedded to their own approaches. This was confirmed during two of the pilot planning workshops.

Cost leadership, differentiation and focus: AMSD, with its focus on self-funding by PEMDA of service improvements compared with some central programs that “buy” improvements through offering hefty investment support, could be a problem. Introducing AMSD strategies will certainly “cost” PEMDA in the short term, whereas many of the other initiatives have no apparent costs – but then again little added value, except good results using some particular approach may give you credit in the eye of the particular promoter and possibly make your audit report more favorable. AMSD offers a range of new features that differentiates it from other systems – for example, the emphasis on separation of roles and consequences for performance.

These features give the AMSD Program a unique (or strategic) position at present – it can compete based on at least two classic dimensions if desired – (1) variety or on (2) access to the key central agencies. It can even compete on the third dimension of needs of the SDOs / PEMDA, other than for those PEMDA who wish to remain uncommitted to any reform or are already committed to another approach.

2.3.4 The Directorate De-concentration and Cooperation

The final assessment at the organization level is of the DG-PUM and especially the Directorate for Decon and Cooperation, which is proposed as the organization to implement the AMSD Program.

Leadership and Innovation: The DG is looking for “good projects”. Since being separated from OTDA in 2003, its standing has slipped. It however has a technical mandate and the AMSD Program sits well with that.

Customer and market focus: This is lacking at present, but it is little different than most other central government in this respect. Its work with PEMDA however means these concepts are not foreign, and taking on a AMSD Program would require it to begin championing “the customer is king” approach, something that would be greatly beneficial to the Department overall.
**Process, product and service:** The various Directorates obviously have programs, but an honest assessment would probably acknowledge that product (many regulations) are not well targeted, written or effective. DG-PUM does focus on kecamatan level of government.

**Strategy and planning:** There is a strategy document, but it is not referred to and contains uncertain objectives, little in the way of a strategy, no quantitative targets and therefore meaningful activities.

**Data, Information and Knowledge:** No identifiable systems exist for collecting, analyzing and acting on data.

**People:** The staffing probably reflects similar conditions elsewhere in the department. A current “full compliment”, but specific competencies are questionable (almost non existent on technical ID/OD issues, such as the modern reform concepts underlying the AMSD strategies).

**Results:** Are not quantified nor measured and formally fed back into updated programs.

Organization diagrams for the Department, Directorate General and the Directorate are in the Appendix containing the Stakeholder Analysis.

### 2.3.5 System Assessment at the Individual Level

A full assessment at this level requires an understanding of the state of the civil service in Indonesia and is beyond this document, other than the observation that the bureaucratic culture is particularly entrenched. AMSD Strategy 6 aims to make it more entrepreneurial in SDOs, but the same aim is applicable at all levels and in all organizations of government.

MENPAN and BKN have a special role to play in bureaucratic reform, but the process is far behind that which could be expected after 8 years of “reformasi” that decentralization brought.

In summary, individuals are under-rewarded officially, obedience and loyalty are rewarded over professionalism, advancement is not merit-based and open discussion of problems, including that needed to coordinate, is stifled. Most of the problems that AMSD is designed to address in PEMDA are features of the current system experienced by individuals in central government.

The consequences of this culture are at the root of problems being experienced at the national level in improving service delivery. Each department (and even units within departments) tend to develop programs in isolation, “turf wars” are on ever-present feature of relations; results, good or bad of programs, have no consequences and few personnel can identify who is their “customer”. Empowered individuals that are needed to create empowered organizations, to do such things as run coordinated programs to help PEMDA improve services, are few.

The practical response of the government to this problem can be seen in the rules for BLUD, commissions, bodies and other “arms-length” government agencies. The response tries to
create different rules for personnel of these organizations compared with the core civil service – for example, personnel of BUMD are supposedly employees of that legal entity, not of PEMDA. This is another example of implicit use of an AMSD Strategy – empowering personnel includes making them subject to their organizations' rules, not that of some distant government.

2.4 Stakeholder Analysis

This analysis concerns those who have an interest in a national level program, such as an “AMSD Promotional Program” to improve service delivery by regional governments – and the power to influence that program. A detailed analysis is in Appendix F.

2.4.1 Who Needs a Program to Improve Service Delivery?

The above question is asked because of the Consultants’ observation that central departments and agencies tend to focus on how PEMDA are serving the community and what PEMDA need to do to serve central government, rather than asking what central government can do for regional government.

The point is that central government, in the design of their programs, should focus on serving PEMDA, who are “in the front-line” with respect to service delivery. Any program of central government to improve service delivery should focus on helping the front line do their job better, in line with AMSD Strategy 1.

This Blueprint therefore takes the “customer” of the Program to be PEMDA and their Service Delivery Organizations (SDOs). PEMDA also consists of provincial and local governments. As observed in Banten, AMSD can be applied to provincial service delivery also, but because the provinces typically see themselves more in a facilitator role with local government, the AMSD Program should provide a differentiated service to provinces, and full support to help them with their job.

To deliver the Program however, an even wider range of stakeholders must be considered. Some will have an interest but little power; others will have power to influence the Program but little interest. Certain stakeholders that have both power and interest need particular attention, as do the stakeholders who have power but appear uninterested.

Key stakeholders are:

- The Department of Home Affairs
- The Department of Finance
- BAPPENAS
- MENPAN
- BKPP (Internal State Auditors)
- Technical departments and agencies
- The regional government (PEMDA) executive branch
- Regional government councilors; and
- The Service Delivery Organizations (SDOs) of PEMDA
2.4.2 Key Stakeholders’ Interests and Power

Figure 2.1 shows the stakeholder grid developed in the Appendix.

The key player is the local executive, which theoretically should support the Program, but which experience shows can be ambivalent. This probably originates from lack of specific knowledge of sectors, concerns over raised accountability and the fear of losing control over SDOs as they are given more autonomy. Experience in Indonesia indicates a great reluctance even to grant more autonomy to relatively well performance SDOs such as water enterprises.

At national level, the two key stakeholders are probably Ministry of Finance and MENPAN. MoF are likely to be very supportive of the program as it complements both their BLU approach and the whole performance based budgeting strategy of the state financial management law, 17/2003.

MENPAN however have considerable power and may not be so supportive because of the “one size fits all” approach that is favored by some in their organization. Others are also
enamored with the view that there already are too many bodies, commissions, regulators and the like, which could make difficult the implementation of the policy-maker - implementer split of AMSD Strategy 1.

It is believed that AMSD approaches underlies the OTDA produced service delivery element in the Grand Strategy for Implementing Regional Autonomy, so little work will be needed to bring them on board. BAKD should also be supportive because they are promoting the BLUD approach. Some care is needed however to ensure turf wars are avoided.

The Program managers should be looking for allies among donors and consumer associations, because they are likely to be very interested, although they do not have any power at present. DG-PUM is in a position to bring these stakeholders into AMSD.

Table 4.1 summarizes the requirements key stakeholders may have and suggests how they might be managed under the AMSD Program.

### 2.5 Current Gaps in “Services” from Central Government

This assessment is not based on hard data - that will come in time from a AMSD Program that is well designed and managed. Rather, it is based on the feedback from PEMDA available in various reports – such as the “Decentralization Stocking taking Update -2008” and USAID materials – and observation.

#### 2.5.1 The Services

Various programs of central government were listed in Section 2.1. Many of these originating from the core departments are “systemic” in that they are to apply to all government units, wherever or not they are SDO, i.e. providing services in the front-line, or whether they have back-office or “owner” functions.

There is a perception in PEMDA that many of these programs are creating yet more rules with which PEMDA can be caught-out on, and so could be counter-productive. The flood of regulations under UU 32/ 2004 and UU 33/2004 certainly must be confusing to PEMDA. What might be seen by the core departments as a service to PEMDA in fact could be working against the fundamental strategy of AMSD – to give more autonomy in return for more accountability.

Another group of services typically involve donors producing approaches to service improvement for adoption by PEMDA and particularly SDOs. These approaches can be general (such as USAID’s LGSP Skema Tindakan Peningkatan Pelayanan) for adoption by any or all SDOs. One particular weakness with these services is they are very project related. The project finishes, the approach is forgotten.

Technical departments and agencies also have a range of sector specific programs, although they appear to be often training programs directed at raising individuals competencies (and therefore ineffective because they do not get the lasting incentives right) and not integrated with the bigger trends on government administrative reform – such as the performance based budgeting that MoF and BAPPENAS are looking to roll-out.
<table>
<thead>
<tr>
<th>Key Stakeholder And Direction</th>
<th>Possible Stakeholder Requirements</th>
</tr>
</thead>
</table>
| **1** Service Delivery Organizations (SDOs)  
*Power is reasonably high because they hold the information and (with approval PEMDA) determine “how things are done. But interest may need raising.* | *does not cost a lot to introduce AMSD strategies*  
*they feel they have a voice in the reform process*  
*overall, delivers more benefits than it costs*  
*the AMSD reforms have a functionality that makes their jobs easier, such as it being simple to understand and use; delivers benefits quickly*  
*the AMSD reform improves consistency in behavior of PEMDA masters*  
*AMSD help in setting the annual budget*  
*communications and relationship with AMSD promotional unit is good*  
*participating gives them kudos in the eyes of their peers and superiors*  
*does not work against them by exposing, embarrassing or giving others an excuse to apply pressure*  |
| **2** Local Government Owners / Executive  
*High power to force participation, but lower interest, mainly because of lack of appreciation of benefits. Must be raised.* | *Knowing about current SDO performance, especially financial*  
*who else has adopted AMSD strategies and their results*  
*how their target SDOs are performing compared to past years and peers in general*  
*especially performance gains with respect to costs of the AMSD program*  
*ability of AMSD to improve/contribute to local-generated revenues; produces priority areas for action in line with local political agenda*  
*Overview of the AMSD strategies and understanding of how it helps them*  
*Enables them to retain “control” (which can be “good” or “bad” control).*  |
| **3** DG-PUM Executive  
*interest is high, but need more understanding if power is to remain high* | *Seen to be new idea from PUM*  
*Generates interest from donors and MoF / BAPPENAS for funding*  
*the ability to use some of the funds to pursue wider/other objectives*  
*be seen to be efficient with funds*  
*have a growing and satisfied “membership” of service deliverers*  
*not “upset” the rest of DEPDAGRI, particularly OTDA, BAKD, Setjen*  
*does not disturb current “bread and butter” programs*  |
| **4** Technical Departments / Agencies.  
*Provides a number of strategies that complements their own, if any. High power (and high interest if convinced the strategies are good)* | *Gives them a clear role*  
*Complements their own programs / approaches*  
*Does not appear to being concede their “technical turf” to DEPDAGRI*  
*Provides a logical set off strategies that makes it easier for them to play supporting roles in ID/OD*  
*Offers opportunities to fund areas that they feel are under-prioritized*  
*Enough ambiguity initially to ensure their “projects” can continue*  |
| **5** Home Affairs, State Auditor; MENPAN, BAPPENAS.  
*Need to raise interest by convincing them AMSD complements their systems. Enables DEPDAGRI to show others they are complimenting other’s efforts* | *responds to need to sharpen the “Grand Strategy for Decentralization”.*  
*provides data/information which helps them do their own job better*  
*addresses “good governance” and “due process”*  
*complements BPKP/MoF/ MENPAN own efforts (SAKIP)*  
*also employee satisfaction indicators composed from composite measures*  
*adapt software to rank according to their indicators*  
*strong statements from Auditors that AMSD initiatives are innovated and supported*  |
| **6** International Funders  
*Raise interest sufficiently to specify use of approach with in the ID/OD component of their own projects* | *approaches/strategies compatible/complementary with their own approaches;*  
*accurate and timely information on results;*  
*can produce data and indicators relevant to their own project objectives*  
*provides an ability to cut down on project preparation costs*  
*improves operating systems & performance while investments ongoing.*  |
2.5.2 The Service Gaps

**Functionality:** Much of what central government does – be it core or line departments - may not be seen as very appropriate by PEMDA. When they need assistance in a certain sector it is not available, or what they get they feel is not appropriate to solving the problems at hand. Further, the “service” is complicated, impractical, burdensome and ill-suited to PEMDA capacity. The first characteristic of service quality – i.e. functionality - is therefore in doubt. The support central government is providing may often miss the mark – it is not fit for purpose in the eyes of many PEMDA. The AMSD program should consider very carefully what PEMDA are saying about how central government can help improve service delivery.

Another problem with functionality is that approaches from the centre seem not to promote effective “strategizing”. For example, a series of modules are prepare on how to manage a particular service, but little regard is given to (i) whether the institutional environment in each PEMDA would allow adoption of such techniques and (ii) the modules do not find an “institutional home” with central agencies. Even where the “scheme” includes high levels of participation in identifying problems and solutions, frequently missing are the “generic strategies” that have been found to work elsewhere and should be promoted to the PEMDA / SDO rather than allowing (or hoping) they will re-invent the wheel and discover these well tried and proven strategies.

**Quality:** A second problem is quality. There appears to be little in the way of real solutions to service delivery problems other than some technical approaches. Technical systems may well have been developed by “experts” in Jakarta without regard to how they could be appropriate for or adapted to a range of regional conditions. And yet it is known that the best of technical solutions flounder without sustainable institutional or organizational level solutions. Further, where such solutions are offered, there is considerable suspicion that they involve PEMDA ceding back to “higher” government powers gained under decentralization. Another shortcoming on quality is that central experts may in fact not be expert!

**Timeliness:** Another gap concerns timeliness. Simply, decentralization has been underway for 8 years, the numbers of PEMDA are growing rapidly, but most cannot access support that central government should be giving.

**Cost:** A fourth gap is cost. There are two aspects. Firstly, many feel that one of the most frequent causes of poor service delivery is simply lack of funding and this originates in central government policies. But the service from central government does not include facilitation of a reasonable discussion with the MoF and BAPPENAS on finding formulas and rules.

Secondly, capacity development is slow, requires expertise and that expertise needs payment. And at present there tends to be a monopoly at work – PEMDA must go to central government for service. They see this as expensive, the supply of expert services to help improve delivery is “supply’ driven”, and when it does arrive from Jakarta, it can be expensive. Many PEMDA might class the service as poor value-for-money.

**Relationship:** Another gap originates in the relationship between spheres of government. Although decentralization supposedly put all government on an equal footing, many in
central government see their new role little different from past times i.e. their role of “Pembina” is really one of “master-servant” relationship with respect to PEMDA – PEMDA being the servant. The impact is multiple. PEMDA refrain from seeking support; when support is provided trust is low and the impact of support eroded; even if the support available were good, the PEMDA might not acknowledge it and seek advice elsewhere.

*Image*: Finally, programs from the central government often have a problem with “image”, which might be an accumulation of the foregoing issues. In the mind of many in the regions central departments and agencies have little interest in helping and no matter the reality, any program originating in central government will be treated with suspicion.

Overall, it is realistic to suggest that service provided by the central departments and agencies – including for help PEMDA improve service delivery - could benefit from a large re-orientation to the customer (i.e PEMDA). If AMSD Strategy 4 is to put the customer in the driving seat, then a program promoting AMSD run by the central government should “walk the talk” and do the same.

### 2.6 Summarizing the Current Situation

The following summarizes the current situation, from which strategic objectives and strategies for their achievement can be developed.

#### 2.6.1 Strengths

Central government still enjoys a certain respect in the regions. Oddly enough, amid the “chaos”, PEMDA do look to central government to provide solutions – admittedly mainly through additional financial support, but also in terms of technical and institutional assistance.

The early experience with the pilots is that PEMDA will respect central opinions if they appear logical and their involvement “adds value”.

Central government also has a clear role to play in:

(i) developing mechanisms and models that can be applied widely (i.e. they are in a position to capture economies of scale) – why should a single PEMDA be burdened with developing a system or approach if the centre can do it for all;

(ii) the centre is well placed to capture information and disseminate it;

(iii) the centre has access to funding and human resources the regions will always struggle to find; and

(iv) the centre is able to adjust the legal and regulatory framework to provide the flexibilities that AMSD seeks.

#### 2.6.2 Weaknesses

Despite central governments access to resources and formal award of a commanding position, the weaknesses are obvious:
• Coordination in policy management is a major problem – PEMDA are beset by waves of central officials and edicts that often seem to contradict one another. Regulations come often and often are seen to be unable to be implemented, have unclear objectives or demand a disproportionate amount to resources to implement for uncertain benefits;

• Specifically with regard to service delivery, new approaches are often developed by central agencies, lightly socialized in some regions and then the rest expected to pick it up, somehow;

• If the regulations are beneficial and therefore require behavior change, there are infrequent enforcement mechanisms established by the centre anyway, so they go unheeded;

• The role of DEPDAGRI with respect to the sectors is rather unclear despite Article 222 of Law 32/2004, because DEPDAGRI officials are often poorly informed on and do not understand the intricacies of sector structure compared with people form the technical departments;

• The centre’s “staying power” is questionable – capacity building is a slow process, but the centre switch directions often and are seen to be unreliable;

• Technical departments and agencies have deep roots into PEMDA (especially SDOs) but often maybe promoting “re-centralization” policies, which if DEPDAGRI knew of, might be countermanded.

Overall the central government has not shown that they can present to regional governments strong, coherent policies, frameworks and sets of coordinated programs that systematically help PEMDA improve service delivery. Especially missing are strategies that have a strong logic and that are consistently deployed.

2.6.3 Opportunities

The year 2009 appears to be an opportune time to begin a major Program on service improvement:

• many of the stakeholders have recognized that service delivery improvements have been uncertain under decentralization, that a new governments coming in in mid-late 2009 will be looking for new programs;

• the new governments will be looking to make changes in the rules earlier rather than later;

• experience with the financial management reforms under Law 17/2003 indicate that alone those reforms will not work. They focus on the “core” of government and, without a link to what the “performance is to deliver”, tend to have little reason for existence;

• AMSD also complements the financial management and accountability reforms that are again gaining support;

• the major problem of coordination is not un-solvable – in many respects it is the main role of DEPDAGRI, it is time it was addressed explicitly;

• donors are beginning to demand clearer and better strategies of government and better management of policy development and evaluation; and

• support is available from donors at short notice.
With Laws 32 and 33 of being revised, pressures mounting rapidly for major bureaucratic reform and various regions already trying a range of AMSD strategies, DG-PUM’s adoption of an program to support service improvement, based on the AMSD strategies, will be seen to be opportune in timing.

2.6.4 Threats – The Existing Systems

The largest threats are:

- Existing programs that will be guarded by their sponsors and that will force PEMDA and even other central departments to make choices on allocation of limited budgets and staff time, or mean the resources are not available for prosecuting the changes that AMSD strategies will demand

- The AMSD strategies are quite sophisticated; like the financial management reform embedded in Law 17/2003, moving from “theory” to practice can present huge challenges for a bureaucracy that has little incentive to change;

- AMSD needs champions in the implementing regions; getting “winners” quickly to enable a demonstration effect to take hold is likely to be a challenge if full support from MoF, BAPPENAS and MENPAN, and even other components of DEPDAGRI is not obtained quickly and is given for all to see.
3. THE RESULTS OF PROMOTING SERVICE IMPROVEMENT

3.1 Introduction

This section sets out the results – the outputs, outcome and impacts – of a coordinated program for supporting regional government improve service delivery using the AMSD strategies.

3.2 Program Objectives

3.2.1 Strategic Objectives (Goals / Impact)

At the highest level, improved service delivery should lead to:

- More community satisfaction with services
- Greater efficiency in service delivery; and
- Better governed SDOs.

3.2.2 Outcomes

To achieve the above goals, a number of outcomes for a program for service delivery improvement must work together, in line with the thinking on complementarity of the AMSD strategies.

Appendix D has painted a picture of outcomes hoped for among those service delivery organizations that adopt AMSD strategies.

1. The relationship between core administrative agencies and the SDO will be clearer, with the core agencies pro-actively providing objectives and the SDO using its expertise to achieve those objectives. The relationship will be regulated by a flexible performance agreement.

2. Funding for serviced delivery will be more sustainable; i.e. likely to be funded more by the user and allocated to the SDO based on targeted results as much as inputs.

3. There will be identifiable consequences to the SDO for good or bad service delivery.

4. The customer and stakeholder perspective will be routinely considered with processes in place for identifying quality of service and for sustaining a dialogue with these actors.

5. The SDO itself will be working on a range of interventions that enable it to perform better while the core administrative agencies will be able to control the SDO through better setting of objectives and input at the governance level.

6. SDOs will be working on improving its human resources, especially de-bureaucratizing and developing the capacity of their personnel to design, deliver and change service quality.
7. The importance of sector structure as a means of clarifying roles, authority and accountability will be more widely appreciated and being reflected more as PERDA for sectors are revised under PP 38/2007 and PP 41/2007 requirements.

8. Cooperation with the private sector and the community will be expressly sanctioned by the PEMDA and appearing in the Performance Improvement Plans that AMSD promote as part of the process of developing the FPA.

Indicators of these results might be found in

- A range of proven strategies for service improvement based on a rational framework
- More autonomous but accountable Service Delivery Organizations
- Wide understanding of the direction of administrative/bureaucratic reforms
- A cadre of officials skilled in facilitating improvement in service delivery
- Better relations between the spheres of government; and
- A targeted provinces and kabupaten / kota familiar with and trying an AMSD or some other innovate approach to service delivery; and
- Provinces playing a useful role in supporting local government in improving service delivery.

### 3.2.3 Outputs of the Program

- Pilot projects in at least three sectors
- Demonstration projects selected from these
- Information on the demonstration projects being disseminated
- Capacity building materials for use of central, provincial and local officials
- Reference materials covering lessons learnt available and being updated
- Critical changes to the legal and regulatory framework, and procedures established to make on-going changes
- Clear policy with respect to the roles in improving service delivery
- Active participation by key central departments and agencies in service improvement working within a reasonably common framework; and
- Coordinated management of the Program(s) provide by DEPDAGRI in their role as both “architect” of the system of decentralized government and as an advocate of the regional governments at the centre.

### 3.3 AMSD Program Unit (Sub-dit PUP) Mission and Vision

Perhaps one of the key findings to date is that there are in fact a range of innovations happening in service delivery which have can be classified as AMSD across a range of sponsors. The issue is how to bring these together so that lessons can be shared, limited resources concentrated on priorities and in general the effectiveness and efficiency of central government assistance to the regions improved.
This should be the mission of the organizational unit tasked with promoting AMSD. A mission statement could be:

To help regional government to improve service delivery by promoting and supporting alternative improvement strategies and providing effective coordination of central government programs.

The way this mission is achieved are many, but the vision statement should include:

.........by:

- Making available to all regional governments information on alternative strategies;
- Assisting with development of pilots and demonstration projects in all sectors;
- Assisting with capacity development of both the PEMDA executive and SDO managers to develop innovative service delivery methods;
- Assisting central government agencies with the institutional and organizational development aspects of their programs;
- Being responsive to changing needs of central and regional governments’ departments and agencies;
- Providing excellent coordination of central programs and acting as an advocate for regional governments; and
- Improving the legal and regulatory framework to increase the autonomy and accountability of service delivery organizations.

### 3.4 Specific Issues and Objectives

In part to uncover specific issues and therefore Program activities, a survey of regional government officials (none from SDOs) was conducted at the provincial workshop on the 12th December 2008 in Serang. The survey sought the views of the participants on three categories of potential issues: (i) the eight basic AMSD strategies (ii) the factors that are likely to influence successful introduction of the strategies (particularly the “meta-tool” of the Flexible Performance Agreement and (iii) the “flexibilities” (i.e. functions or areas for more organizational autonomy) in which rules and regulations could be relaxed in return for asking for more accountability that will drive improvements in service delivery. Appendix G contains the questionnaire, analysis and results.

Overall it appears that the strategies were appreciated by the participants but the concern is the degree to which the heads of regional governments were willing to “negotiate” a FPA with the head of the SDO. Similar concerns are indicated in some of the other results.

**Figure 3.1** take from the Appendix shows the gap between the current situation perceived by the group in Banten Province and what would be the ideal situation. The larger the gap, the more the group perceives the practice is important. For example, as a group, private sector participation was the most favored AMSD strategy; among the 12 success factors assistance
with negotiation of the FPA was perceived as being most important to success. Rules that might be looked at most were those created by PEMDA.

Table 3.1: Ranking of Practices within Categories

<table>
<thead>
<tr>
<th>ID</th>
<th>Practice</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td></td>
</tr>
<tr>
<td>1.01 A. 1 Clarity in objectives, roles, authority and accountabilities</td>
<td>10</td>
</tr>
<tr>
<td>1.02 A. 2 Put a price (cost) on the service, which as much as possible covers the cost of delivery</td>
<td>10</td>
</tr>
<tr>
<td>1.03 A. 3 Adopt more use of “rewards and punishments” (i.e. there must be consequences of non-performance)</td>
<td>10</td>
</tr>
<tr>
<td>1.04 A. 4 Empower the customer (put the customer “in the driving seat”)</td>
<td>10</td>
</tr>
<tr>
<td>1.05 A. 5 Empower the Service Delivery Organization (SDO) with the government</td>
<td>10</td>
</tr>
<tr>
<td>1.06 A. 6 Change the culture of service delivery organization from bureaucratic to service driven</td>
<td>9</td>
</tr>
<tr>
<td>1.07 A. 7 Restructure the particular service sector to provide clarity, improve integration and improve accountability</td>
<td>10</td>
</tr>
<tr>
<td>1.08 A. 8 Participation and empowerment of the private sector and community</td>
<td>2</td>
</tr>
</tbody>
</table>

| B. Critical Success Factors for FPA |
| 2.01 B. 1 Mutual understanding on “performance”. | 10 | 2.70 | 4.10 | 1.40 | 5 |
| 2.02 B. 2 Full support from Head of Region. | 10 | 2.70 | 4.30 | 1.60 | 2 |
| 2.03 B. 3 Fair facilitator during negotiation. | 10 | 2.50 | 4.20 | 1.70 | 1 |
| 2.04 B. 4 PEMDA do not intervene at micro level after FPA commences | 10 | 3.00 | 3.80 | 0.80 | 8 |
| 2.05 B. 5 Routine feedback provided by core government after FPA commences | 10 | 2.90 | 4.20 | 1.30 | 6 |
| 2.06 B. 6 Resources agreed in FPA are made available, generally for more than one year | 10 | 3.60 | 4.20 | 0.60 | 10 |
| 2.07 B. 7 KPIs based on a balanced set of perspectives | 10 | 3.00 | 4.10 | 1.10 | 7 |
| 2.08 B. 8 Some accountability exists to the community | 10 | 3.50 | 4.00 | 0.50 | 11 |
| 2.09 B. 9 A fair regulator available during FPA implementation | 10 | 2.50 | 4.00 | 1.50 | 3 |
| 2.10 B. 10 Risks considered and contingency plan B is available | 10 | 2.90 | 4.30 | 1.40 | 4 |
| 2.11 B. 11 Reports on performance are prioritized | 9 | 3.22 | 3.89 | 0.67 | 9 |
| 2.12 B. 12 SDO headed by committed and skilled leader | 10 | 3.30 | 3.80 | 0.50 | 11 |

| C. The Areas of Flexibilities |
| 3.01 C. 1 Concerning and planning and management of the budgets | 9 | 4.11 | 4.50 | 0.39 | 3 |
| 3.02 C. 2 Concerning management of personnel | 9 | 3.44 | 3.88 | 0.43 | 2 |
| 3.03 C. 3 Concerning the public procurement process | 9 | 3.89 | 4.00 | 0.11 | 4 |
| 3.04 C. 4 Concerning other services (“support services” provided by PEMDA) that are needed | 8 | 3.38 | 4.00 | 0.62 | 1 |
| 3.05 C. 5 Other (describe) | 0 | 0.00 | 0.00 | 0.00 | 5 |

Mean: 3.23 3.92 0.69

Among the strategies, the divide in perceptions between the “steering” and “rowing” functions is highlighted. The “steerers” (the participants) ranked as important:

1. private sector participation,
2. attention to improving cost recovery; and
3. focus on customer needs

were ranked as priorities.

This is not surprising given the participants background – not from SDOs but from the “policy-making and regulator” side of the regional governments. It is suspected the answers given by SDOs would be quite different and would reflect, what they perceive, as unclear objectives, little reward and too much punishment and lack of appropriate grants of resources and power.
In terms of the Program, it is known the “checks and balances” that can be set-up by separating policy and implementation (AMSD Strategy 1) are strong (this was confirmed in the pilot workshops) and therefore the pilot planning should concentrate particularly on deploying this strategy.

Some issues that emerged in the workshops and consequent specific objectives exposed are:

1. The concept of a “contract” with performance indicators and targets is obviously a worrying prospect for some people. A specific objectives is indicated then of maximum support in the planning and development of performance measurements.

2. The support of the Head of Region is seen as critical but the current levels of support may be questionable. One specific objective must be to involve the Head of Region early, provide good feedback and ensure his concerns are identified and addressed.

3. Perhaps on a related matter, there appears to be a strong demand for “independent regulation”. The process of developing a FPA should identify senior figures who may be asked to “regulate” the Agreements.

Concerning Category C practices of the survey (flexibilities), there appears to be widespread acknowledgement that these will be difficult, with matters under control of PEMDA (i.e. inputs supplied to SDOs) being the main area. Again this may be a function of the participants, who do not work daily in producing services and so do not see how the system restrains performance. The experience of AMSD is that demanding more accountability requires the granting of more flexibility, so this must be explored thoroughly in the pilots. It also goes to the heart of identifying what might be changed in the legal and regulatory framework.

From the foregoing, specific objectives should include:

- Exposing and resolving different perceptions between the “steering” and “rowing” organizations on what is needed to improve

- Producing a credible set of performance indicators with strong support from “neutral” parties; and

- Ensuring the Head of Region and DPRD are fully engaged in the performance improvement initiative.

3.5 Comparative Advantages of the AMSD Program

There are three good reasons for stakeholders to support AMSD that should be included among objectives:

1. It provides “ready-made” or generic strategies, something that other programs do not do. Care is needed to ensure this selling point is emphasized and efforts are on-going to capture and disseminate information of successful strategies and the factors critical to that success.

2. It is aligned with the Ministry of Finances plans on performance budgeting, with DEPDAGRI’s Strategic Plan for Implementing Regional Autonomy and with the revision
of the Accountability System for Government Agencies (SAKIP) championed by MoF / MENPAN. Development in these should be feed into the AMSD, and vice-versa.

3. Not only generic strategies, but it also provides a ready made framework that projects focused more on physical investments can use to support the (oft neglected) institutional development component. Donors and perhaps to a lesser extent technical department and agencies will appreciate this aspect of the Program.

3.6 Key Risks Concerning the Objectives

The key risks to achievement of objectives are:

- Failure of the program to provide the early support indicated as being needed to develop performance indicators and the FPA, and facilitation of negotiation of the Agreements;

- Loss of interest in the Program by PEMDA if lack of physical infrastructure is identified as an obstacle to improved services and they cannot see where the investment might come from;

- Lack of willingness of Head of Region to change style in cases where it currently is “authoritarian” or political imperatives outweigh what otherwise appears logical;

- Lack of support from technical departments / agencies

3.7 Logic Diagrams for a Services Improvement Program

There are two key diagrams that can be offered to show where a Program should be attempting to position SDOs so they can provide better services.

Figure 3.1 shows the continuum of ownership along which SDOs can be located (remember Figure 1.1). Most PEMDA deliver services through dinas, which are on the left. AMSD advocates more autonomy for the SDO, with “commercialization” (Strategy2) being an early step to creating a more autonomous organization.

The conclusion drawn for the Program of this logic is that AMSD Strategies 1 and 2 should be the early priority of the AMSD Program.

The second logic concerns what central government can do to influence PEMDA is these times of decentralization and unclear relationships between the spheres of government in Indonesia. Government programs basically can consist of inputs classed as “planning”, “doing”, “funding others to do”, “training” and “facilitating”.

These inputs lead to outputs related to plans and strategy, human resources, systems and procedures, information, customer needs and the legal and regulatory framework which underpins the way PEMDA deliver services.
**Figure 3.1** The Transition Pathway for Select SDOs

Direction of lessening autonomy, policy and risk implications

| Non-structural, reversible |

Direction of increasing autonomy, policy and risk implications

| Structural, “irreversible” |

Public Sector
Sole provider of goods and services

Commercialization of operations, changes in financial and accounting systems

Corporatization of Public Sector Institution with independent regulation

“Privatization” of Operating Company(s) & multiple providers

AMSD works with SDOs in this part of the Continuum

**Figure 3.2** presents a first attempt to link inputs that would be provided under a Service Delivery Improvement Program through outputs, outcome to their ultimate impacts on service delivery.

The following Chapter expands on the set of activities that, working together, form the strategy for the AMSD Program.
Figure 3.2: Logic Diagram for a Program to Improve Service Delivery

**Ultimate Goals / Impacts**
- Community Satisfaction
- Greater Efficiency
- Better Governed SDOs

**Interim Goals**
- Better programs from central agencies for helping PEMDA improve service delivery
- Improved strategies and more innovation in PEMDA programs to improve service delivery

**Outcomes**
- Improved legal and regulatory framework
- Capacity developed to design and implement improvement programs
- Information widely available to PEMDA / tech depts. on effective strategies
- Successful pilots to demonstrate AMSD and innovative strategies

**Outputs**
- Select regulations to legitimize the Flexible Performance Framework, performance measurement
- Updated strategy and functioning TWG for service delivery improvement
- AMSD workshops, courses and on-the-job assistance
- Disseminated guidelines, case studies, reports and information on effective AMSD strategies
- Competent personnel for design / implementing Programs

**Activities**
- RESOURCING: Provision of support funding to Province, PEMDA, HR, Information
- PLANNING: Planning AMSD Program - Coordination with other Programs
- TRAINING: Design and provision of workshops, training sessions
- WORK: TA to pilot projects - Prepare guidelines, studies, disseminate info

**A NEW POLICY AND SUPPORT PROGRAM FOR SERVICE DELIVERY IMPROVEMENT**
4. STRATEGY FOR IMPROVING SERVICE DELIVERY

4.1 The “Intended Strategy” – Orientation to PEMDA Needs

The results of the work in assessing how to promote more alternatives for improvement of service delivery indicate that:

(i) there appears to not be a coordinated effort across central government to help PEMDA improve service delivery

(ii) of the various programs identified, perhaps only the OTDA driven “Grand Strategy for Implementation of Regional Autonomy” has specifically targeted “improvement of service delivery” in terms of institutional arrangements and generic strategies

(iii) one or other of the AMSD strategies can be observed in different sectoral programs, but the strategies are mostly not made explicit nor made complementary to other “reforms” in government; and

(iv) regional governments are also experimenting with alternatives, but again it is probably ad-hoc.

In many ways, the results to date indicate a need for deployment by central government of the eight AMSD strategies to the challenge of improving services in regional government! For example, the roles, authority and accountabilities for improving service delivery (horizontally and vertically in government) could be made more explicit, funding more incentivized, PEMDA given greater incentive to perform, PEMDA set up as “customers” of central government, greater autonomy awarded over human and other resources, sector structure re-jigged (for example, “service delivery” being given a “functional” status) and more use of private sector and community participation.

Overall, the need for a coordinated program for service delivery improvement is indicated, based on a set of basic strategies that are known to work elsewhere and which in time might be adapted to Indonesian conditions. Success is likely to come from (i) coordination at the centre (ii) resonant strategies being promoted and (iii) continuous efforts to improve the strategies and performance in general.

In strategic terms, there appear to be a “gap” between what central government would like and what is happening at present. If the “vision” of a Program to promote service delivery improvement (using AMSD strategies) is along the line of:

“coordinated facilitation from central government for all regional governments of a set of situation-sensitive strategies for service improvement”

then Figure 4.1 offer a model of a “generic strategy” based on the above referred success factors.

Success of a program requires:

(i) Coordinated efforts from central government, in which DEPDAGRI are well placed to lead but are faced with the challenge of bringing together one group of efforts to improve “core” government (planning, budgeting, implementation and monitoring evaluation) and another, of the technical departments and agencies that have technical discipline-based programs of their own.
Figure 4.1: AMSD Program Can Develop in Three Directions

The following describes the components of a Program which address these directions.

**Note:** There is an equivalent direction for performance improvement of SDOs. It could also be called Direction 1; which is to continued to consolidate the AMSD strategies, systems and procedures; promote to stakeholders, expand coverage and involve others in delivering the service but as distinct from launching major new directions.
(ii) Strategic activities – which at this stage are probably promotion of the AMSD strategies (particularly demonstrating the logic of them) and keeping stakeholders engaged; and

(iii) Continuous improvement, which requires the results of the Program to be continuously evaluated – through customer surveys, handling of complaints, audits and the like - and improvement made.

This strategy in fact is no different than that which underlies AMSD. One might say it is “learning AMSD by doing AMSD”.

Another part of the strategy needs to be capturing the “synergy” that working to complement other central programs will give. The two which are particularly relevant are (i) performance budgeting initiatives driven by the MoF under Law 17/2003 and (ii) the SAKIP revisions on accountability of government institutions, which involve MENPAN, MoF and BKPP. Alignment as much as possible with these efforts will underpin and multiply the impact of specific strategies of AMSD.

4.2 Direction 1 – Establishing a Program Structure

Direction 1 is to ensure the key elements of a program to improve service delivery are put in place. The elements are:

- Establishing pilot projects that can provide a demonstration effect;
- Researching PEMDA requirements, gathering relevant information and disseminating it to important stakeholders;
- Capacity development of central agencies and PEMDA concerning AMSD strategies and tools; and
- Improving the legal and regulatory framework to underpin the institutional and organizations innovations made using the AMSD strategies.

The following section elaborates on these elements. Program sustainability form Direction 2 (improving on the Program) and Direction 3 (Program governance) are elaborated in the sections after the next.

4.2.1 Undertake Pilot / Demonstration Projects

(a) Complete Design of the Current Pilot Projects

Pilot projects have been kicked off in Banten province in the sectors of (i) piped water supply (ii) curative health (hospitals) and (iii) population administration. This is but a start; design of the interventions must be completed and then implemented.

It is difficult to imagine that sensible policies and regulations will emerge that facilitate service improvement without an iterative process of observing actual cases, adjusting the framework, applying, and learning again. While this project has probably improved the understanding of the issues in a conceptual manner of what needs to be regulated (or de-regulated) and what actions can be taken to promote service delivery, it is far from being location and sector specific. There is much to learn, both by those developing the policy and regulatory framework, and by regional governments, from the centre and from one another.
Development of pilot projects and then use of successes to demonstrate the strategies is needed. As time passes, changes in policies and regulations will be needed - pilot and demonstration projects can accelerate this change.

Demonstration projects especially will provide the information, as well as the positive examples that other local governments will learn from. After all, they learn faster from the trial and error of doing and from their peers, than from uncertain central government theorizing.

Which comes first – policy or action in the field? The answer is both must be attended to simultaneously and in a coordinated manner. There is no element of sustainability or replicability if assistance is provided only to local governments without adjustment of “the institutions”, and likewise, if a policy and regulatory framework is developed devoid of relevant practical experience.

All the local governments seen to date offer good opportunities to develop demonstration projects, one reason being they have demonstrated a desire to try new mechanisms. A reading of the pilot project report confirms that, while many of the issues raised in the legal and regulatory side of the Project may seem conceptual and so not pressing, they are rooted in real problems in service delivery requiring expert resolution. The sooner these problems are exposed, the sooner the strategies promulgated for AMSD can be confirmed, revised or discarded. As the saying goes, “there is nothing more practical than a good theory”. Demonstration projects are essential.

(b) Getting to First based with the Pilots – A “Flexible Performance Agreement”

It is highly unlikely that any of the pilots will identify and implement a full set of AMSD strategies. And yet it is known that real performance come from a complementary set of strategies being adopted. For example, adopting:

- Strategy 1 (separating steering and rowing) is not much use if Strategy 3 (rewards and punishment) and Strategy 5 (empowered SDO) are not deployed;
- Strategy 4 of customer power is not effective unless the SDO has incentives to respond to customer needs (strategy 3) and the ability to respond (Strategy 5); and
- Strategy 5 of empowerment of SDO in the end needs empowerment of its personnel (Strategy 6).

The pilots therefore must set up the conditions for this development. Experience with AMSD around the world suggests the “Flexible Performance Agreement” (FPA) is the “meta-tool” for achieving entry into a virtuous cycle. Once a dialogue is opened between the steerers and rowers in the government, agreement begins to be reached on performance indicators, targets, the methods and the resources needed to achieve targets.

The AMSD pilots aim to get to this stage. Once a FPA is in place and a procedure for regular review is established, then a whole range of more specific strategies and performance improvement tools will be encouraged. The Program needs to anticipate the emergence of this second stage (discussed later as “Direction 2”).
(c) **Continuing and Expanding Pilot / Demonstration Projects**

The pilots in Banten Province have yet to be implemented. Assistance in needed with that (see for example the results of the survey of some senior kabupaten and kota staff).

It could be more than a year (probably 2 years before the results of these pilots will be at the stage that they can become “demonstration” projects, i.e. they have been shown to be a success, the lessons learnt and are available for “demonstrating” to others. Perseverance is needed to develop the pilots into demonstrations.

Further, the pilots cover just three sectors (in fact just parts of the three sectors), so adaptation of AMSD strategies to other sectors probably needs further pilots, each of them building on the lessons from the previous ones.

Achieving this requires continuity at oversight level (DEPDAGRI level) and in the provinces. It requires also that technical departments be engaged and the emergence of further “champion” PEMDA.

Work on the pilot element should include efforts to expand to other sectors in the three pilot PEMDA, to similar sectors in other PEMDA in Banten, and to similar and new sectors in at least a second province.

(d) **Providing Support to PEMDA, including On-site**

As noted, AMSD goes to the heart of changing “power relationships”. This is not an overnight job nor one solved with a few written rules. The Banten survey revealed that of all the strategies and success factors, the one considered most difficult concerns achieving the shifts in power needed to create empowered but accountable SDOs.

The Program should therefore support PEMDA not only through assistance to design in detail each AMSD pilot, but also through,

- Further support to implement, possibly including funding some of the physical investments but certainly funding technical assistance
- Information dissemination
- Frequent personal contact between central and local officials
- Development of capacity within the provinces to promote AMSD (which would include there being AMSD pilots in that sphere);
- Acting as a “go-between” PEMDA and the “core” central government agencies in cases where the “core administrative rules” are found to need change; and
- (Similarly) as a go-between PEMDA and the central technical departments and agencies.

In the longer term, one could expect development by central government of specific “sub-programs” by sector and strategy – one example is the obvious need at present to provide benchmarking services for most sectors.
(e) Expanding the Number of PEMDA using AMSD

Most innovations in service delivery are isolated events at present – although the adoption of BLUDs and the recent introduction of the “Legal Entity for Education Institutions” are examples of centrally driven innovations.

Although the Consultant does not have figures to support the contention, perhaps 10% of the 500 or more PEMDA have adopted any innovations that are “strategic”. There is a huge demand for AMSD, it just needs marketing. Customer requirements need to be understood though, then a product developed and refined, and then “sold” to PEMDA.

The program should target expansion of the AMSD program into other PEMDA. A marketing strategy is indicated. Certain PEMDA could be targeted – based on enthusiasm for change, geography, need for deployment of AMSD strategies in select sectors and the ability of the PEMDA and sector to act as “leaders”.

4.2.2 Researching PEMDA Requirements, Information and Marketing AMSD

In line with the basic AMSD strategy of “putting the customer in the driving seat” (of giving him “choice” and “voice”), the Program should be continually aware of PEMDA requirements. This unfortunately is not a strong point in the current decentralization program – too many central agencies just dictate to PEMDA requirements that ultimately do not help. The “pembina” role awarded to central government by central government needs a lot of clarification.

The Program should conduct surveys, collect and analyze complaints and provide formal (workshops, seminars etc) and informal opportunities for dialogue between the spheres of government on service delivery - its aims, the strategies for improvement, the legal and regulatory improvements and the results.

4.2.3 Capacity Building of Central Agencies and PEMDA concerning AMSD

The work to date confirms a common view that both central and regional governments lack capacity to systematically develop innovative mechanisms for rapid improvement of service delivery. Improvements are being made but they can be made faster.

Key strategies embodied in AMSD such as consequences, resourcing and using the market to drive improvements are emerging but are not being systematically applied. Behavioral solutions are commonly disregarded. The robot of bureaucracy seems immovable.

Simple improvements of “systems and procedures” (part of Strategy 5) are not as demanding to set-up, as more “structural” solutions such as public corporations serving special purpose districts (Strategies 3 and 7), but they also cannot solve the complex problems brought by urban growth. Continuing to provide services using the old hierarchal forms, but just in collaboration, will not result in the technical/operational efficiency gains that are possible from unbundling delivery into more contractible forms. And if efficiency gains are not realized, the innovation is likely to fail sooner or later.
These arguments support the conclusion that a deliberate, serious effort should be made by central government to promote the AMSD strategies in local governments, just as it is doing under multi-million dollar loans from the World and Asian development Banks to promote public private partnerships in infrastructure.

Why has DEPDAGRI not started a major program to improve the situation? There are a number of reasons, lack of capacity being one. Personnel do not have the knowledge or the experience themselves to recognize the good and bad aspects of institutional and organizational set-ups for various sectors, and are not seizing the opportunities and countering the threats. And they presently are unable to consistently design the holistic capacity building programs needed to accelerate the adoption of new strategies.

A deliberate stream of capacity building related to AMSD strategies and their deployment would address this situation.

### 4.2.4 Improvements to the Legal and Regulatory Framework

The objectives of central government should be twofold (1) to provide a clear and relevant policy and regulatory framework in which all the actors know their roles and have the incentives to play them and (2) to promote as many innovations in service delivery as possible, with the AMSD strategies being central.

Improvement to the framework is seen to lag the pilot projects, capacity building and information dissemination activities because it depends on relevant information being analyzed and a (slow) consensus being developed among the core departments of the need to improve the framework.

Improvement of the framework can be done by:

1. Commissioning a “Discussion Paper” (an “Academic Paper” or “White Paper” etc) on service improvements, the relevance of the “neo-liberal” ideologies thought be some to underlay a number of the AMSD strategies, possible areas for reform (particularly the granting of flexibilities) and in general, exposing the strategies to debate.
2. Consulting all important stakeholder on the issues.
3. Preparing a Guideline or Handbook on the subject (perhaps by expanding on the Consultants work at Appendices B and C);
4. Issuing a jointly signed “Policy Statement” explaining the Government support for the AMSD strategies or at least setting out the objectives under each strategy and the ways of deploying them; and
5. If deemed urgent, issuing a simplified Government Regulation to legalize the various strategies (particularly the “Flexible Performance Agreement”, and the “rewards and punishment” tools, while clearly keeping in mind the need to separate governance (largely inflexible) and management/administration (flexible) functions.

Before doing these things, DEPDAGRI should adopt a blueprint, such as this document, for fixing the direction and promoting strategies for improved service delivery, answering questions such as the following:
• What specific objectives are needed to given the Program it direction?

• When and by whom will the Academic Paper (the “White Paper”) be drafted?

• What will be the initial issues and proposals it contains?

• What are the milestones for the consultation process?

• What are the key areas that other ministries / provinces will need to agree
  o Finance Ministry regarding use of Decon and DAK to incentivize AMSD adoption?
  o Finance Ministry re “rewards and punishment” (incentive payments), inflexible financial management rules and audit?
  o MENPAN re flexibility in personnel management rules?
  o BAPPENAS re flexibility in public procurement rules?
  o Justice Ministry re contractual enforcement and status of Flexible Performance Agreements
  o Justice Ministry and Land Board re powers to forcibly acquire land for public purposes in the incorporated bodies own right?
  o Technical Ministries re establishment of sectoral AMSD Promotional Units?
  o Technical Ministries re unbundling / bundling services to assist in restructuring the institutional arrangements (perhaps achieved through PP 38/2007 and PP 41/2007 follow-up).

• How many new AMSD “projects” are targeted per year, in what provinces, in what sectors and of what value?

• How much training in AMSD knowledge and skills and in what facets will be produced;

• What information, the amount and the quality that will be collected and disseminated each year

• What is the minimum number and type of legal instruments needed to improve certainty for local governments?

• What instruments are needed to award clearer roles to provincial and central government?

While it is easy to discuss the objectives in abstraction, it is not so easy to convert them into operational, actionable terms for the Blueprint. This will need time, facilitation within DEPDAGRI and probably consultant assistance. Having defined operational objectives and the activities needed to achieve them, then the specific actions will be much easier to identify.
4.3 **Direction 2 – Building on the Early Pilots**

As noted, the pilots at this stage will focus on getting Flexible Performance Agreements in place. That requires for each AMSD pilot (i) agreed objectives (ii) agreed indicators and targets for objectives, and (iii) some assurance that the SDO has in place a program of performance improvement actions that will assure achievement of the targets.

The Program should anticipate a growing need to support PEMDA on this last point. Foreseen are various further “Programs”:

- Programs aimed at “core” agencies to help them perform better their “steering” function
- Programs to improve capacity to identify costs of activities and to project financing needs a number of years ahead of the present
- Benchmarking of sectoral SDOs performance
- Process benchmarking for SDOs
- On-going efforts to increase capacity to measure and manage performance
- Elaboration, dissemination and continual adaptation of all (and probably many more) of the tools identified to date that can be used to deploy the AMSD strategies.

The Program should aim to work closely with other parts of DEPDAGRI (such as OTDA’s SPMs, Sustainable Capacity Building for Decentralization and their Best Practices initiatives), and increasingly with other departments. The selling point is DEPDAGRI’s capacity to influence the institutional and organizational aspects of PEMDA.

4.4 **Direction 3 – Program Institutional Set-up**

This strategic direction is outlined here but elaborated further in the following Chapters. It appears here among “strategies” as an acknowledgement that, unless it is got right, the Program is likely to not address the issues that have obstructed development of a coordinated program to date. It concerns “Program Governance”.

4.4.1 **Dirjen’s AMSD Program Unit**

Everywhere the Consultant has looked, “initiatives” to improve service delivery have been found – the problem is the logic of the “strategies” is often not clear, or at least widely understood. A classic problem of government is at work – the one of coordinated management of policy development and evaluation. A focus is required; - DG-PUM seems to offer this focus. Nowhere is there a substantial central government organizational unit focused on service delivery improvement – at best they are sub-directorates or sections. It is somewhat ironic that one of the main aims of decentralizing – of providing improved services – may have been lost in the “busy-ness” of the effort.

There appears to a clear role for a central unit to coordinate service improvement programs, to ensure strategies are well defined, actions prioritized and sequenced and a focal point provided for all efforts to improve service delivery – whether they are from central government, “donors” or regional government.
This particularly applies to the “institutional” aspects that are a major component of service delivery improvement programs. This recognizes that the “technological” improvements championed by technical departments and agencies have their limitations – they are necessary but not sufficient solutions – just as purely institutional and organizational development intervention that are the basis of AMSD also require technological innovations. In some ways coordination and learning is even more important to ID/OD aspects, because technological solutions tend to be universal where ID/OD solutions culturally specific.

It is suggested the approach should be to create a “Service Delivery Improvement Unit” (or Secretariat or “AMSD Promotion Unit”) in DEPDAGRI, lead initially by DG-PUM. Similar units could be rolled out as needed in time in the interested technical agencies and provincial governments. As noted previously, the Unit is to concentrate on six (6) components:

1. Improving the policy and regulatory framework, with particular attention to the roles of different governments, establishing better governance structures for SDOs interested in adopting AMSD, specifying relevant minimum contents of FP Agreements, financial relationships and detailing requirements with respect to changes in the relationships (withdrawal, dissolutions, addition of participants, disputes).

2. Promoting, through raising stakeholder awareness, developing and delivering technical training in key aspects of AMSD, and the capture and dissemination of best practices.

3. Promoting through funding of select pilot and demonstration projects chosen for their ability to demonstrate a range of AMSD solutions and the likelihood of success; and TA to prepare and support them.

4. Facilitating and coordinating development of a network of AMSD-Promotional Units in central government departments and at provincial level in the first instance.

5. Improving financial and other incentives for local governments to adopt AMSD, including collaboration.

6. Managing (in fact, governing) the initiative in a professional manner.

The strategic concepts of the approach are to keep it small, consolidate the currently dispersed sub-directorates and limited skills within DEPDAGRI into a temporary AMSD-PU, improve the competency of the unit and simultaneously develop the policy and regulatory framework while providing practical assistance to local government demonstration projects. In this way limited resources will be enough to address the few key areas fully, and thus make “strategically incremental” improvements, rather than doing a little everywhere and in the end not having any improvements anywhere to demonstrate.

This approach would also help DEPDAGRI develop its capacity in one of the areas on which its existence is predicated, that is, as an expert in institutions and their development.

4.4.2 Role of Province

Central government is looking for provinces to become more active in provision of “support services” for their kabupten / kota and their SDOs. This would include promoting service delivery improvements, including, by using AMSD strategies. Planning for long term AMSD development should include giving provinces a useful role as intermediaries in promotion, planning, implementation collection of results, processing and feedback.
Duties and responsibilities for the provinces in relation to AMSD need developing. Although mobilizing the provinces (especially Ortala) as quickly as possible will enable the AMSD Unit to extend its reach more quickly into the PEMDAs and SDOs, there are considerable costs and risks involved. Part of the expenses for promoting AMSD will need to be given provinces to pay for their “de-concentrated” activities at present. The central Unit must be confident this money will not be squandered.

The provinces therefore need more training (on their role in AMSD development and how to liaise with PEMDA / SDOs, gather accurate and consistent data on strategies, collect data and interpret and use the results) before sizable and scarce funds are allocated to them.

A general structure as foreseen is below. Selection and training is needed of ultimately about 30 AMSD liaison officers for a total cover of Indonesia. This would only be done once the Program has been firmly established in a number of provinces.

The relationship between the central Unit and the provincial Units also needs to be clear. The central Unit will be the focal point of capturing, checking and processing the information about AMSD progress transmitted by the PEMDA / SDOs through each provincial Unit, from which a AMSD Liaison Officer (LO) would be appointed and trained.

As noted, the LO is to act mainly as a go-between the PEMDA, their SDOs and the central Program Unit.

4.4.3 Performance Improvement Teams in PEMDA / SDOs

These teams are a vital component in any plan to improve performance through AMSD. During workshops, some discussion was held on the functions of the team. Each PEMDA and SDO should make an action plan for establishing a service delivery or AMSD program as routine activities in the PEMDA/SDOs, in line with the proposal in DEPDAGRI’s draft Presidential Regulation on capacity development. They need support from the central Unit, including with follow-up of progress on these plans.

The main duties and function of the PEMDA Teams need development. It is likely they will become responsible for identifying and leading all performance improvement.

The central Unit, working with the provinces, should program visits to members as soon as possible after establishment to review progress. This could be done as part of the socialization of the AMSD Program to local stakeholders and distribution of initial pilot results.
One key to success at this level is likely to be the separation of teams – one for PEMDA overall and one in each SDO – in line with AMSD Strategy 1.

### 4.5 Autonomy and Accountability of the AMSD Promotion Unit

A final part of the strategy, which should be considered in the longer term, is to make the AMSD Unit more autonomous of the Department of Home Affairs and other central departments and agencies. In effect, to begin to apply the “structural” aspects of AMSD to the Program itself.

The immediate objective would be to increase personnel productivity (Strategies 5 and 6), but as noted, this will not be particularly effective if there are few consequences, and the customer (PEMDA) are not put in the driving seat.

More autonomy will (i) enable the personnel of the Unit to be rewarded for providing a good service to the Unit’s customers (ii) make the risks of not providing that service more real (iii) free the Unit from the bureaucratic culture and micro-management of DEPDAGRI and (iv) enable creation of an oversight body which works better and is more accountable.

Further, the “Steering Committee” established for the immediate AMSD Program could be converted to a “Governing Board”. There is a strong possibility many of the other strategies will not be implemented without clear policies and leadership that a governing board would provide.

The usual concern of “mother agencies” that the Unit will become unresponsive to their (the owner’s) needs can be allayed by establishing better governance arrangements for the Unit. Thus, governance arrangements need to find a balance between the autonomy the Unit needs to perform better and the control that Departments feel is necessary.

Ultimately, creation of a not-for-profit “foundation” may be the answer. The foundation has the advantages of (i) being able to do business without paying taxes (ii) a governing board can be created that represents the most important stakeholders (SDOs, local governments, central government, industry professionals) (iii) risks of the venture are contained and (iv) it would be isolated from the threat of micro-management by Departmental senior managers, who may not have the same commitment to the Unit’s objectives as the Unit’s personnel.

Besides the loss of immediate control to the Department, the disadvantages of separating the Unit from DEPDAGRI include greater administrative costs and the possible loss of financial and other resources the departmental arrangement can presently offer.

### 4.6 Summary of Program Strategy and Activities

Appendix H contains a description of the next stage of the AMSD Program based on the foregoing discussion. A program consisting of pilot/demonstration projects, information collection and dissemination, capacity development, improvements in the legal and regulatory framework and program governance is outlined.
Success of an AMSD improvement program is founded on establishing a system for setting objectives, measuring inputs, processes and outputs and outcomes in relation to the objectives, and follow-up. The strategy for the Unit should be similarly “evidence based”. Chapter 3 described objectives and this chapter the suggested activities for achieving those objectives.

Achievement of objectives is likely with the correct timing and sequence, and with sufficient resources. Satisfaction should be raised among all stakeholders, and therefore the willingness to participate and ultimately to pay for the Program in a broad sense will be encouraged.

The next chapter continues developing the strategies of this chapter by examining the resources needed and their use in implementing the Plan. Without sufficient resources and their efficient deployment, the strategies outlined in this chapter are likely to fail.
5. RESOURCES AND SCHEDULING

A strategy is only as good as the availability of resources needed to implement it and the sequence of their application. The following chapter supports the plan for change, by outlining the resource allocations.

5.1 Basic Assumptions

Before making estimates of costs, of the underlying inputs driving those costs, and of their sequencing, it is useful to set-out some of the basic parameters.

As the previous chapter indicates; the strategy is to work on a number of activities / sub-programs more or less simultaneously:

1. Strengthening the ability of DG-PUM/MoHA to establish and govern a program; i.e. to set objectives, design, lead, coordinate and manage a program of activities aimed at improving the fundamental strategies being deployed for service delivery improvement.

2. Designing and implementing a number of pilots to provide a demonstration effect and learning in the Indonesian context, especially covering:
   - Improving the pilot sectors’ structures in the regional government;
   - Improving the services’ funding, with especial attention to sustainable cost-reflective pricing of services;
   - Improving the availability of performance information;
   - Developing flexible performance agreements;
   - Improving the autonomy of the Service Delivery Organizations; and
   - Improving the governance arrangements for the SDO’s, including increasing community participation.

3. Gathering and dissemination of information about the pilots and improvement methods for service delivery in general.

4. Capacity development (mainly training and education) of key actors; and

5. Provision of expert support to the Program Governance organization.

Some basic assumptions about this Program are:

(i) The next phase will be two years in duration

(ii) Appropriate targets are:
   - completion of detailed design of 3 pilots in Banten Province
   - implementation of the resulting flexible performance agreements (FPA) and associated performance improvement plans
   - dissemination of the approach to other SDOs in the PEMDA, and Province
o kick-off of a program in a second province.

(iii) the SDOs and PEMDAs will not be contributing to support by external experts, although in the detailed pilot design phase it is quite likely certain improvement activities will be identified and subsequently funded by them; and

(iv) All tiers of government will support the Program through assignment (up to 1 week per month) of capable and interested personnel, particularly from the target SDOs, SETDA (Ortala and Biro Hukum), the Personnel Office (BKD), the Inspectorate and BAPPEDA.

Appendix J contains a detailed projection of expenditures, the key points of which are outlined below.

5.2 Program Governance and Management

Beginning with these assumptions, Table 5.1 shows the basic unit costs used for calculating expenditure needed for managing the Program. The estimate is broken into costs related to:

1. A “secretariat” (AMSD Program Unit) to run the Program day-to-day: it would be managed by a person from DG-PUM and be able to hire expertise as required;
2. Maintenance of an office within DG-PUM;
3. Publications; and
4. Establishment and operation of a “Steering Committee” aimed ultimately at cross-departmental governance of a major program to improve service delivery.

These costs are considered as “incremental” as the result of introduction of the Program. The exact source of funding needs agreement.

5.3 Supporting Pilot Projects

The details of each pilot project will emerge once detailed design is complete. A general estimate however can be made, based on the AMSD generic strategies and experience from the pilot design workshops. Most of the costs relate to consultant assistance to government; this has been divided between (i) a “core team” that would be based with the Program Unit in Jakarta and (ii) a field team of experts assigned to work with the target SDOs, their PEMDA and the Province.

5.3.1 Pilots - Improving the pilot sector structure in the regional government

This part of the pilot project aims to help the SDO and their PEMDA improve the relationship between the SDO and the core administrative agencies. The work will include providing the framework for the flexible performance agreement. It requires support from the core team and input from PEMDA experts and perhaps local sector specialists.
Table 5.1 Assumptions on Program Management Costs

<table>
<thead>
<tr>
<th>No</th>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>[ASSUMPTIONS]</th>
<th>Unit</th>
<th>Total in Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>82</td>
<td>B COSTS OF PROGRAM</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>85</td>
<td>0.0 Program Governance / Operational Expenditure</td>
<td>Months in &quot;1 Period&quot;</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>87</td>
<td>0.1 Secretariat Personnel</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>88</td>
<td>Total Staff</td>
<td></td>
<td>theory-persons</td>
<td>103</td>
</tr>
<tr>
<td>90</td>
<td>Standard Hours available</td>
<td></td>
<td>actual-persons</td>
<td>5</td>
</tr>
<tr>
<td>91</td>
<td>-- Hours on Processing and Reporting data</td>
<td></td>
<td>hours</td>
<td>1,490</td>
</tr>
<tr>
<td>92</td>
<td>-- Hours on Management, Quality Maintenance &amp; Upg</td>
<td></td>
<td>hours</td>
<td>2,129</td>
</tr>
<tr>
<td>93</td>
<td>Strategic Work Ratio</td>
<td></td>
<td>%</td>
<td></td>
</tr>
<tr>
<td>94</td>
<td>-- Hours on Development Activities</td>
<td></td>
<td>hours</td>
<td>426</td>
</tr>
<tr>
<td>95</td>
<td>1 Salaries / Remuneration of Secretarial Personnel</td>
<td>RpM/month</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>96</td>
<td>--Manager</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>97</td>
<td>--Senior Executive Director</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>98</td>
<td>--Financial Management Consultant(s)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>99</td>
<td>--Technical Expert (as)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>100</td>
<td>--IT / Secretariat Person</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>101</td>
<td>--Office Boy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>102</td>
<td>--Additional staff as load grow &gt; &quot;X&quot;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>103</td>
<td>Total Basic Salaries</td>
<td></td>
<td>RpM</td>
<td>38</td>
</tr>
<tr>
<td>104</td>
<td>--13th Month bonus</td>
<td></td>
<td>RpM</td>
<td>1</td>
</tr>
<tr>
<td>105</td>
<td>--Transportation Allowance</td>
<td></td>
<td>RpM</td>
<td>4</td>
</tr>
<tr>
<td>106</td>
<td>4 Health Insurance</td>
<td></td>
<td>RpM</td>
<td>2</td>
</tr>
<tr>
<td>107</td>
<td>5 Over Time</td>
<td></td>
<td>RpM</td>
<td>2</td>
</tr>
<tr>
<td>109</td>
<td>Allowed Sub Total</td>
<td></td>
<td>RpM</td>
<td>46</td>
</tr>
<tr>
<td>110</td>
<td>Staffing Ratio</td>
<td></td>
<td>citizens / staff</td>
<td>228,888.9</td>
</tr>
<tr>
<td>111</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>112</td>
<td>0.2 Office Running Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>113</td>
<td>1 Rent Office</td>
<td></td>
<td>m2</td>
<td>34</td>
</tr>
<tr>
<td>114</td>
<td>2 Rental charge</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>115</td>
<td>3 Car Rental (1 unit)</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>116</td>
<td>4 Electricity</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>117</td>
<td>5 Telephones</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>118</td>
<td>6 Rent ISP (internet)</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>119</td>
<td>7 Writing Instruments &amp; FOTO Copy</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>120</td>
<td>8 Maintain Computer</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>121</td>
<td>9 Maintain Office</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>122</td>
<td>10 Consumables</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>123</td>
<td>11 Security</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>124</td>
<td>12 Literature &amp; Magazine</td>
<td></td>
<td>RpM</td>
<td>-</td>
</tr>
<tr>
<td>126</td>
<td>Allowed Sub Total</td>
<td></td>
<td>RpM</td>
<td>13</td>
</tr>
<tr>
<td>127</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>128</td>
<td>0.3 Program Reporting Costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>129</td>
<td>1 Print Special Reports 2 per yr x (30 + 10 spare)</td>
<td>RpM/book</td>
<td>0.30</td>
<td></td>
</tr>
<tr>
<td>130</td>
<td>2 Print Annual Report</td>
<td></td>
<td>RpM</td>
<td>3</td>
</tr>
<tr>
<td>131</td>
<td>3 Copy CD / Diskette</td>
<td></td>
<td>RpM</td>
<td>0</td>
</tr>
<tr>
<td>132</td>
<td>4 Courier/Post for Reports</td>
<td></td>
<td>RpM</td>
<td>6</td>
</tr>
<tr>
<td>134</td>
<td>Allowed Sub Total</td>
<td></td>
<td>RpM</td>
<td>9</td>
</tr>
</tbody>
</table>
| 135| #REF!                           |               | RpM  | 100%
| 136| Minimum Cost of Secretariat     |               | RpM  | 68 |
| 137|                                |               | RpM  | 0 |
| 138|                                |               |      |                |
| 139| 0.4 Program Governance/Leadership & Communications | | |
| 140|                                |               |      |                |
| 141| 1 Establish Stakeholder Committee | lump sum / period | 5 |
| 142| 2 Establish Steering Committee  |               | RpM  | 5 |
| 143| Number of Committee Members     |               |      |                |
| 144| Operation of Stakeholder Committee |               |      |                |
| 145| 5 Operation of the Steering Committee |               |      |                |
| 146| Leaflet & Info via ...          |               |      |                |
| 147| --Leaflets about Program        |               | RpM  | 5 |
| 148| -- Articles, Talk-shows etc about Program and Sector |               |      |                |
| 150|                                |               | RpM  | 34 |
| 151|                                |               | RpM  | 100%

5.3.2 Pilots - Improving the funding, with especial attention to sustainable cost-reflective pricing of services

This part of the pilot project aims to help the SDO achieve a more sustainable, larger and predictable revenue from both sale of services and budget allocations. This is likely to require inputs from a number of specialists. It requires support from the core team and input from PEMDA experts and local sector specialists.
5.3.3 Pilots - Improving the SDO autonomy and accountability

This part of the pilot project aims to help the SDOs and PEMDAs develop rules to shift control of the SDO away from inputs, to outputs. This is likely to require inputs from a number of specialists. It requires support from the core team and input from PEMDA experts and local sector specialists.

5.3.4 Pilots - Developing a Flexible Performance Agreement

This part of the pilot project aims to help the SDOs and PEMDAs develop their performance contracts (i.e. FPA). Preparation of the contract raises issues across all strategies, but is very reliant on performance information and the head of the SDO being satisfied he/she has the flexibilities to deliver on targets. This is likely to require inputs from a number of specialists. It requires support from the core team and input from PEMDA experts and local sector specialists.

Allowance has been made for attending to related institutional support mechanisms and to prepare and deliver training under each of the foregoing components.

Table 5.2 shows the assumptions and estimates made for the above pilot activities. The remaining six components of the suggested Program are shown in Table 5.3 and are described below.

5.3.5 Pilots - Improving SDO Performance Information and Responsiveness

This part of the pilot project aims to help the SDO and PEMDA to generate and use information on SDO performance, thus supporting the FPA, but also making it easier to allocate budgets, provide consequences to the SDO and to improve choice. This is likely to require inputs from a number of specialists. It requires support from the core team and input from PEMDA experts and local sector specialists. Allowance is made for soft and hardware purchases as IT should be playing a larger role in facilitating data processing related to performance information.

5.3.6 Pilots - Improving the governance arrangements for the SDO’s, including increasing community participation.

This part of the pilot project aims to help the SDO and PEMDA provide more voice for stakeholders and customers and to develop rules to help shift control of the SDO to outputs. This is likely to require inputs from a number of specialists. It requires support from the core team and input from PEMDA experts and local sector specialists.

5.3.7 Capture of Pilot Experience, and Dissemination

As the 3 pilots proceed, deliberate efforts will be made to: identify progress, capture information about the framework of the AMSD pilot, monitor how it is being implemented, evaluate results and capture lessons learned. Drafts of various communications need preparation, checking and dissemination. Monitoring and evaluation will be performed, mainly by hired experts, although the core team will contribute.
### Table 5.2 Assumptions on Program Investment Costs

<table>
<thead>
<tr>
<th>No</th>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>≤ASSUMPTIONS≥</th>
<th>Unit</th>
<th>Total in Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>169</td>
<td>1.0 Pilots - Sector Structural Reform</td>
<td>0.25 m-month / Period</td>
<td>1 expert, period-</td>
<td>3 to 4</td>
</tr>
<tr>
<td>170</td>
<td>Foreign Expert advice on framework</td>
<td>0.25 Paid</td>
<td>200 Rp M/month, pe</td>
<td>1 to 4</td>
</tr>
<tr>
<td>171</td>
<td>Foreign Expert costs</td>
<td>2.00 m-month / Period</td>
<td>1</td>
<td>1 to 8</td>
</tr>
<tr>
<td>172</td>
<td>Local Expert advice on framework</td>
<td>2.00 Paid</td>
<td>43 Rp M/month, pe</td>
<td>1 to 8</td>
</tr>
<tr>
<td>173</td>
<td>Local Expert costs</td>
<td>4 Staff @ 1 day at</td>
<td>50% day/month, periods-</td>
<td>days</td>
</tr>
<tr>
<td>174</td>
<td>Bioparks - Redesign Sectoral Structure and Strategy</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>175</td>
<td>Total Days Available to Central Team</td>
<td></td>
<td></td>
<td>30 days /Period</td>
</tr>
<tr>
<td>176</td>
<td>Total Trips - Transportation expenses</td>
<td>5 days / trip /staff</td>
<td>1 staff</td>
<td>Person Trips 3</td>
</tr>
<tr>
<td>177</td>
<td>...JalanaTrips return</td>
<td>50% of total trips @</td>
<td>Rp M per trip</td>
<td>Rp M 1</td>
</tr>
<tr>
<td>178</td>
<td>...Area 1 trips</td>
<td>20% of total trips @</td>
<td>Rp M per trip</td>
<td>Rp M 1</td>
</tr>
<tr>
<td>179</td>
<td>...Area 2 trips</td>
<td>20% of total trips @</td>
<td>Rp M per trip</td>
<td>Rp M 1</td>
</tr>
<tr>
<td>180</td>
<td>...Area 3 trips</td>
<td>10% of total trips @</td>
<td>Rp M per trip</td>
<td>Rp M 0</td>
</tr>
<tr>
<td>181</td>
<td>Total Fares</td>
<td>100%</td>
<td>-</td>
<td>Rp M 3</td>
</tr>
<tr>
<td>182</td>
<td>Accomodation and per diem for Staff</td>
<td>20% Rp M/day/person</td>
<td>5 days /trip</td>
<td>Rp M 3</td>
</tr>
<tr>
<td>183</td>
<td>Estimated Subtotal</td>
<td>-</td>
<td>-</td>
<td>Rp M 142</td>
</tr>
<tr>
<td>184</td>
<td>Total Fares</td>
<td>-</td>
<td>-</td>
<td>Rp M 3</td>
</tr>
<tr>
<td>185</td>
<td>Accomodation and per diem for Staff</td>
<td>0.20 Rp M/day/person</td>
<td>5 days /trip</td>
<td>Rp M 3</td>
</tr>
<tr>
<td>186</td>
<td>Estimated Subtotal</td>
<td></td>
<td></td>
<td>Rp M 142</td>
</tr>
<tr>
<td>190</td>
<td></td>
<td></td>
<td></td>
<td>Rp M / Person 0</td>
</tr>
<tr>
<td>2.0 Pilots - Improve Tariff Setting and Resource Allocations Process</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>219</td>
<td>Local experts to prepare training materials</td>
<td>0.50 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>220</td>
<td>Socialization / Training Wilioy Level</td>
<td>0.50 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>221</td>
<td>Local experts to prepare training materials</td>
<td>0.50 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>222</td>
<td>Draft Articles of Association / Lobbying / Permits</td>
<td>0.25 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 11</td>
</tr>
<tr>
<td>223</td>
<td>Draft internal rules / procedures</td>
<td>0.03 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>224</td>
<td>Follow-up Monitoring and Amendment</td>
<td>0.25 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>225</td>
<td>Independent Review Annual SDO Budget</td>
<td>0.25 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>226</td>
<td>Disseminate Budget</td>
<td>0.25 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>227</td>
<td>Rebaseing Calculation</td>
<td>0.25 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>228</td>
<td>Rebaseing Calculation</td>
<td>0.50 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>229</td>
<td>Total Local Consultant Expenditure</td>
<td>6.25</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>230</td>
<td>Estimated Subtotal</td>
<td></td>
<td></td>
<td>Rp M 43</td>
</tr>
<tr>
<td>3.0 Pilots - Increase Service Delivery Organization / Operator Autonomy</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>280</td>
<td>Local experts to prepare training materials</td>
<td>0.50 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>281</td>
<td>Local experts to prepare training materials</td>
<td>0.50 m-month /Period, pe</td>
<td>35 Rp M/month</td>
<td>Rp M 14</td>
</tr>
<tr>
<td>282</td>
<td>Legal Establishment of BLUD, PD, PT or other</td>
<td>1.00 Lump S. / Period paid</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>283</td>
<td>Governing Board Costs</td>
<td></td>
<td></td>
<td>Rp M 20</td>
</tr>
<tr>
<td>284</td>
<td>Miscellaneous Professional Services</td>
<td></td>
<td></td>
<td>Rp M 20</td>
</tr>
<tr>
<td>285</td>
<td>Estimated Subtotal</td>
<td></td>
<td></td>
<td>Rp M 99</td>
</tr>
<tr>
<td>4.0 Pilots - Performance Agreements &amp; Regulator</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>300</td>
<td>Foreign experts to help prepare contracts</td>
<td>0.25 m-month /Period</td>
<td>1 expert</td>
<td>2 to 4</td>
</tr>
<tr>
<td>301</td>
<td>Local experts to help prepare contracts</td>
<td>0.25 Paid</td>
<td>200 Rp M/month</td>
<td>2 to 4</td>
</tr>
<tr>
<td>302</td>
<td>Foreign experts to help prepare contracts</td>
<td>0.10 Paid</td>
<td>200 Rp M/month</td>
<td>3 to 4</td>
</tr>
<tr>
<td>303</td>
<td>Foreign experts to help prepare contracts</td>
<td>0.10 Paid</td>
<td>200 Rp M/month</td>
<td>3 to 4</td>
</tr>
<tr>
<td>304</td>
<td>Total Foreign Expert costs</td>
<td></td>
<td></td>
<td>Rp M -</td>
</tr>
<tr>
<td>305</td>
<td>Total Local Expert costs</td>
<td></td>
<td></td>
<td>Rp M -</td>
</tr>
<tr>
<td>306</td>
<td>Training in Reg duties, performance contracts etc</td>
<td></td>
<td></td>
<td>Rp M -</td>
</tr>
<tr>
<td>307</td>
<td>Training Effort</td>
<td></td>
<td></td>
<td>Rp M -</td>
</tr>
<tr>
<td>308</td>
<td>Miscellaneous Purchases</td>
<td>1 LS / Period @</td>
<td>2.50 Rp M / package</td>
<td>2 to 6</td>
</tr>
<tr>
<td>309</td>
<td>Miscellaneous Expenses</td>
<td>1 LS / Period @</td>
<td>2.50 Rp M / package</td>
<td>2 to 6</td>
</tr>
<tr>
<td>310</td>
<td>Estimated Subtotal</td>
<td></td>
<td></td>
<td>Rp M -</td>
</tr>
</tbody>
</table>
### Table 5.3: Assumptions on Program Investment Costs (cont.)

<table>
<thead>
<tr>
<th>No</th>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>[&lt;---------------------------ASSUMPTIONS------------------------&gt;]</th>
<th>Total in Period 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>259</td>
<td><strong>5.0 Pilots - Improved Performance Information and Responsiveness</strong></td>
<td><strong>CAPITAL EXPENDITURE (2)</strong> Months in &quot;1 Period&quot; =&gt; 3</td>
<td><strong>Training Effort</strong></td>
</tr>
<tr>
<td>260</td>
<td>Planning Assistance - Foreign</td>
<td>0.25 m-month / Period</td>
<td>1 expert</td>
</tr>
<tr>
<td>261</td>
<td>Foreign Expert cost</td>
<td>0.25 Paid</td>
<td>200 Rp M / month</td>
</tr>
<tr>
<td>262</td>
<td>Planning Assistance - Local</td>
<td>0.40 m-month / Period</td>
<td>1 expert</td>
</tr>
<tr>
<td>263</td>
<td>Local Expert cost</td>
<td>0.40 Paid</td>
<td>43 Rp M / month</td>
</tr>
<tr>
<td>264</td>
<td>Community Consultation Process</td>
<td>3.00 packet / Period @</td>
<td>18.66 Rp M / packet</td>
</tr>
<tr>
<td>265</td>
<td>Local Expert IT Assistance mm</td>
<td>0.50 m-month / Period</td>
<td>1 expert</td>
</tr>
<tr>
<td>266</td>
<td>Local Expert IT Assistance cost</td>
<td>0.50 Paid</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>267</td>
<td>Total Local Expert mm</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>268</td>
<td>Total Local Expert Costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>269</td>
<td>One-off hardware purchase</td>
<td>1.00 packet</td>
<td>25 Rp M / Period</td>
</tr>
<tr>
<td>270</td>
<td>Software purchases</td>
<td>1.00 packet</td>
<td>25 Rp M / Period</td>
</tr>
<tr>
<td>271</td>
<td>On-going Hardware purchases</td>
<td>1.00 packet</td>
<td>19 Rp M / Period</td>
</tr>
<tr>
<td>272</td>
<td>Estimated Total</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>273</td>
<td><strong>6.0 Pilots - Improve Governance / Accountability via a &quot;Governance Oversight Board&quot;</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>274</td>
<td>Foreign experts to help prepare training materials</td>
<td>0.25 m-month / Period</td>
<td>1</td>
</tr>
<tr>
<td>275</td>
<td>Foreign expert cost</td>
<td>0.25 Paid</td>
<td>200 Rp M / month</td>
</tr>
<tr>
<td>276</td>
<td>Foreign experts to work hands on with Board</td>
<td>0.10 m-month / Period</td>
<td>1 expert</td>
</tr>
<tr>
<td>277</td>
<td>Foreign expert cost</td>
<td>0.10 Paid</td>
<td>200 Rp M / month</td>
</tr>
<tr>
<td>278</td>
<td>Total Foreign expert mm</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>279</td>
<td>Total Foreign expert costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>280</td>
<td>Local experts to prepare materials</td>
<td>0.25 p-month / Period</td>
<td>1.00 Rp M / month</td>
</tr>
<tr>
<td>281</td>
<td>Local Expert cost</td>
<td>0.25 Paid</td>
<td>43 Rp M / month</td>
</tr>
<tr>
<td>282</td>
<td>Local experts to work hand on with Board</td>
<td>0.25 p-month / Period</td>
<td>4</td>
</tr>
<tr>
<td>283</td>
<td>Local Expert cost</td>
<td>0.25 Paid</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>284</td>
<td>Total Local Expert mm</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>285</td>
<td>Total Local Expert costs</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>286</td>
<td>Training GCG, duties, organizational performance etc</td>
<td>2.50% of OPEX</td>
<td>3 to 7</td>
</tr>
<tr>
<td>287</td>
<td>Training Effort</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>288</td>
<td>Software purchases</td>
<td>0 packet / Period @</td>
<td>5.00 Rp M / packet</td>
</tr>
<tr>
<td>289</td>
<td>Hardware purchases</td>
<td>0 packet / Period @</td>
<td>5.00 Rp M / packet</td>
</tr>
<tr>
<td>290</td>
<td>Estimated Total</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>291</td>
<td><strong>7.0 Research, Documentation, Dissemination of Information</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>292</td>
<td>Foreign experts to advise on issues, systems, options</td>
<td>0.20 m-month / Period</td>
<td>1 expert</td>
</tr>
<tr>
<td>293</td>
<td>Foreign expert cost</td>
<td>0.20 Paid</td>
<td>200 Rp M / month</td>
</tr>
<tr>
<td>294</td>
<td>Local experts</td>
<td>1.00 p-month / Period</td>
<td>43 Rp M / month</td>
</tr>
<tr>
<td>295</td>
<td>Frameworks</td>
<td>0.25 p-month / Period</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>296</td>
<td>Draft for consultation</td>
<td>0.25 p-month / Period</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>297</td>
<td>Draft distributed for comments</td>
<td>0.25 p-month / Period</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>298</td>
<td>Final version</td>
<td>0.25 p-month / Period</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>299</td>
<td>Local experts to prepare training materials</td>
<td>0.75 p-month / Period</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>300</td>
<td>Socialisation / Training Wilayah Level</td>
<td>0.25 p-month / Period</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>301</td>
<td>Expert Legal Advice</td>
<td>0.00 p-month / Period</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>302</td>
<td>Follow-up Monitoring and Amendment</td>
<td>0.25 p-month / Period</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>303</td>
<td>Local Expert mm</td>
<td>3.3</td>
<td>-</td>
</tr>
<tr>
<td>304</td>
<td>Total Local Experts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>305</td>
<td>Estimated Subtotal</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>306</td>
<td><strong>8.0 Capacity Building - Sector Level Human Resources</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>307</td>
<td>Senior Sector Personnel in Period -1</td>
<td>48 rr maintained at</td>
<td>100% over time</td>
</tr>
<tr>
<td>308</td>
<td>New added each Period</td>
<td>5 rr maintained at</td>
<td>100%</td>
</tr>
<tr>
<td>309</td>
<td>Rehiring</td>
<td>20% per Period</td>
<td>100%</td>
</tr>
<tr>
<td>310</td>
<td>Total Trainees at Period end</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>311</td>
<td>Number of Workshops</td>
<td>24 Person / workshop</td>
<td>0</td>
</tr>
<tr>
<td>312</td>
<td>On-site Workshop Costs</td>
<td>100% of costs @</td>
<td>0.18 Rp M / person @</td>
</tr>
<tr>
<td>313</td>
<td>Remun &amp;Per Diem for Instructors (/t consultants)</td>
<td>2.0 persons / workshop @</td>
<td>7.50 Rp M /all-in @ 10% pa in -</td>
</tr>
<tr>
<td>314</td>
<td>Per Diem for Facilitators</td>
<td>1.0 persons / workshop @</td>
<td>7.50 Rp M /all-in @ 10% pa in -</td>
</tr>
<tr>
<td>315</td>
<td>Travel for Instructors / Facilitators</td>
<td>5.0 persons / workshop @</td>
<td>1.00 Rp M /all-in @ 10% pa in -</td>
</tr>
<tr>
<td>316</td>
<td>Allowance for Cost Changes to Training</td>
<td>100% in Period -1 to</td>
<td>100%</td>
</tr>
<tr>
<td>317</td>
<td>Estimated Subtotal</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>318</td>
<td><strong>9.0 Support to Improve Strategic Management, Legal &amp; Regulatory Framework</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>319</td>
<td>Foreign experts - Strategic Development Plan</td>
<td>0.25 m-month /Period</td>
<td>1 expert</td>
</tr>
<tr>
<td>320</td>
<td>Foreign expert cost</td>
<td>0.25 Paid</td>
<td>200 Rp M / month</td>
</tr>
<tr>
<td>321</td>
<td>Local experts - Strategic Issues Management</td>
<td>0.50 m-month paid</td>
<td>43 Rp M / month @</td>
</tr>
<tr>
<td>322</td>
<td>Training Materials for Person / Gov. / Committees</td>
<td>0.25 m-month paid</td>
<td>35 Rp M / month @</td>
</tr>
<tr>
<td>323</td>
<td>Total Local Experts</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>324</td>
<td>Local experts mm</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>325</td>
<td>Training - 4 persons/4 days/4 Person /4 Regions</td>
<td>16 trainee-days costing</td>
<td>1.00 Rp M / day</td>
</tr>
<tr>
<td>326</td>
<td>Estimated Subtotal</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>327</td>
<td><strong>10.0 Support Province(s), PEMDA:s promoting AMSD</strong></td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>328</td>
<td>Foreign ID / GO experts</td>
<td>0.2 m-month / Period</td>
<td>2</td>
</tr>
<tr>
<td>329</td>
<td>Foreign expert cost</td>
<td>0.2 Paid</td>
<td>200 Rp M / month</td>
</tr>
<tr>
<td>330</td>
<td>Training Materials for Wilayah / PEMDA</td>
<td>1.2 m-month /period, pay</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>331</td>
<td>Local experts - ID/GO /Finance / Admin</td>
<td>1.2 m-month /period, pay</td>
<td>43 Rp M / month</td>
</tr>
<tr>
<td>332</td>
<td>Local experts - ID/GO / Technical</td>
<td>1.2 m-month /period, pay</td>
<td>35 Rp M / month</td>
</tr>
<tr>
<td>333</td>
<td>Local expert mm</td>
<td>5.6</td>
<td>-</td>
</tr>
<tr>
<td>334</td>
<td>Local Expert costs</td>
<td>0.0</td>
<td>-</td>
</tr>
<tr>
<td>335</td>
<td>On-the-Job Training - 4pers. * 4 days / Person /4 Regions</td>
<td>16 trainee-days costing</td>
<td>0.18 Rp M / day</td>
</tr>
<tr>
<td>336</td>
<td>Estimated Subtotal</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>337</td>
<td><strong>Total Capital Expenditure (1 to ..)</strong></td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
5.3.8  Capacity Building of Human Resources to Support the Strategy

Considerable allowance is needed for capacity development of central and regional officials. This is done in a series of workshops, ranging from formal “live-in” to more informal. Specialist technical trainers and allowed for, as well as facilitators.

5.3.9  Support Improving Strategy, Legal & Regulatory Framework

Allocations are made for international and local experts to support the Secretariat and the Steering Committee to kick-off, manage and develop the Program. These experts will act as the “core team” referred to above in relation to the pilot projects.

Allowance has also been included for preparation of capacity development materials and delivery of some high level events.

5.3.10  Support for Provinces and PEMDA promoting AMSD

The pilot design workshops exposed the need to get both the Province and the core administrative units of PEMDA involved in playing their role in service delivery and in promoting service improvements.

It is envisaged the sector technical experts and especially the institutional / organizational expert(s) of the field team will spend up to one third of their time with the Province, working with their regional pilots but also helping the Provincial actors develop their coordinating, promotion, clearing-house, central advocacy and “economy-of-scale” roles.

Allowance is also made for some capacity development activities.

5.4  Sequencing and Scheduling of Programs / Activities

The immediate need is to begin the detailed design and then implementation of pilot projects, in order that understanding of AMSD can be built, local adaptations identified and the successes demonstrated to other SDOs, PEMDA and governments.

The experience in the pilot locations also was that there may be up to six months of discussion just on the basic matter of sector structure – for example in Cilegon there was a feeling that a PERDA was needed to regulate all water enterprises active in the jurisdiction, not only PDAM; and in Lebak, the desired conversion of the hospital to BLUD status seems to require clarification of the role of the Dinas Kesehatan. The sector structure, payment for service and the flexible performance agreement are better focused-on early, with the other parts following.

Consultant support is therefore deemed necessary from an early stage, but perhaps not “full-on” in the first three months in the pilot districts, as arrangements are finalized by DG-PUM and the core-team.
However, support is needed for DG-PUM right from Program launch, to begin improving coordination, developing this service improvement strategy in detail and arranging support to the pilots for their next stage, of detailed design and implementation. This requires international and local expert support.

**Figure 5.1  Indicative Activity Schedule for the Program**

<table>
<thead>
<tr>
<th>No</th>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>Qtr. 1</th>
<th>Qtr. 2</th>
<th>Qtr. 3</th>
<th>Qtr. 4</th>
<th>Qtr. 5</th>
<th>Qtr. 6</th>
<th>Qtr. 7</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>Program Governance / Operational Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.1</td>
<td>Secretariat Personnel</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.2</td>
<td>Office Running Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.3</td>
<td>Program Reporting Costs</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.4</td>
<td>Program Governance/Leasership &amp; Communications</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.0</td>
<td>Pilots - Sector Structural Reform</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.0</td>
<td>Pilots - Improve Tariff Setting and Resource Allocations Process</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.0</td>
<td>Pilots - Increase Service Delivery Organization / Operator Autonomy</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4.0</td>
<td>Pilots - Performance Agreements &amp; Regulator</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5.0</td>
<td>Pilots - Improved Performance Information and Responsiveness</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6.0</td>
<td>Pilots - Improve Governance / Accountability via a &quot;Governance Oversight&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7.0</td>
<td>Research, Documentation, Dissemination of Information</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8.0</td>
<td>Capacity Building - Sector Level Human Resources</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9.0</td>
<td>Support to Improve Strategic Management, Legal &amp; Regulatory Framework</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10.0</td>
<td>Support Province(s), PEMDAs promoting AMSD</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**5.5  Projected Resource Needs over Two Years**

Based on the foregoing assumptions and estimates, a projection (using quarterly periods) has been prepared of the funds needed for the two year program. The projection does not include any estimate of the additional benefits that the program will generate for each SDO and their PEMDA, because data to support this calculation are not yet available.

It is suggested that some effort to quantify additional benefits resulting from the Program should be made during the detailed design stage, as such “cost/benefit” analysis is just as important to justify capacity development investment as it is for physical investment.

**Table 5.4** summarizes the expenditure by quarter. The total expenditure is Rp 6.21 billion over two years.
### Table 5.4 Projected Expenditures by Quarter

<table>
<thead>
<tr>
<th>No</th>
<th>DESCRIPTION</th>
<th>Unit</th>
<th>Total</th>
<th>Qtr. 1</th>
<th>Qtr. 2</th>
<th>Qtr. 3</th>
<th>Qtr. 4</th>
<th>Qtr. 5</th>
<th>Qtr. 6</th>
<th>Qtr. 7</th>
<th>Qtr. 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>Approximate Total Revenue of SDO</td>
<td>Rp M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>A</td>
<td>SOURCE OF FUNDS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Levy on SDO Revenues</td>
<td>Rp M</td>
<td>-</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2</td>
<td>Other Levies on Third Parties in Sector</td>
<td>Rp M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Grants from Province / Central Government</td>
<td>Rp M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Total Revenue</td>
<td>Rp M</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>B</td>
<td>USE OF FUNDS</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>B.1</td>
<td>Operational Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0.1</td>
<td>Secretariat Personnel</td>
<td>Rp M</td>
<td>415</td>
<td>46</td>
<td>48</td>
<td>49</td>
<td>51</td>
<td>52</td>
<td>54</td>
<td>56</td>
<td>58</td>
</tr>
<tr>
<td>0.2</td>
<td>Office Running Costs</td>
<td>Rp M</td>
<td>120</td>
<td>13</td>
<td>13</td>
<td>14</td>
<td>15</td>
<td>15</td>
<td>16</td>
<td>17</td>
<td>18</td>
</tr>
<tr>
<td>0.3</td>
<td>Program Reporting Costs</td>
<td>Rp M</td>
<td>74</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
<td>9</td>
</tr>
<tr>
<td>0.4</td>
<td>Program Governance/Leashership &amp; Communications</td>
<td>Rp M / Citiz</td>
<td>277</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>33</td>
<td>33</td>
</tr>
<tr>
<td>0.5</td>
<td>Minimum Cost of Secretariat</td>
<td>Rp M</td>
<td>609</td>
<td>68</td>
<td>70</td>
<td>72</td>
<td>75</td>
<td>77</td>
<td>80</td>
<td>82</td>
<td>85</td>
</tr>
<tr>
<td>0.6</td>
<td>Normal Cost of Program Unit and Project Governance</td>
<td>Rp M</td>
<td>903</td>
<td>102</td>
<td>105</td>
<td>108</td>
<td>111</td>
<td>114</td>
<td>118</td>
<td>121</td>
<td>125</td>
</tr>
<tr>
<td>0.7</td>
<td>Total Operational Expenditure</td>
<td>Rp M / Citiz</td>
<td>2,078</td>
<td>243</td>
<td>247</td>
<td>250</td>
<td>253</td>
<td>256</td>
<td>259</td>
<td>262</td>
<td>265</td>
</tr>
<tr>
<td>B.2</td>
<td>Capital Expenditure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Pilots - Sector Structural Reform</td>
<td>Rp M</td>
<td>159</td>
<td>142</td>
<td>6</td>
<td>6</td>
<td>6</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2</td>
<td>Pilots - Improve Tariff Setting and Resource Allocations Process</td>
<td>Rp M</td>
<td>644</td>
<td>43</td>
<td>63</td>
<td>269</td>
<td>269</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>3</td>
<td>Pilots - Increase Service Delivery Organization / Operator Autonomy</td>
<td>Rp M</td>
<td>401</td>
<td>99</td>
<td>94</td>
<td>104</td>
<td>104</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>Pilots - Performance Agreements &amp; Regulator</td>
<td>Rp M</td>
<td>443</td>
<td>108</td>
<td>128</td>
<td>128</td>
<td>40</td>
<td>40</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>5</td>
<td>Pilots - Improved Performance Information and Responsiveness</td>
<td>Rp M</td>
<td>719</td>
<td>60</td>
<td>175</td>
<td>175</td>
<td>125</td>
<td>125</td>
<td>60</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>6</td>
<td>Pilots - Improve Governance / Accountability via a &quot;Governance Ov</td>
<td>Rp M</td>
<td>222</td>
<td>-</td>
<td>73</td>
<td>82</td>
<td>22</td>
<td>22</td>
<td>23</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>Research, Documentation, Dissemination of Information</td>
<td>Rp M</td>
<td>689</td>
<td>-</td>
<td>-</td>
<td>162</td>
<td>162</td>
<td>122</td>
<td>122</td>
<td>122</td>
<td>-</td>
</tr>
<tr>
<td>8</td>
<td>Capacity Building - Sector Level Human Resources</td>
<td>Rp M</td>
<td>425</td>
<td>-</td>
<td>56</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>74</td>
<td>-</td>
</tr>
<tr>
<td>9</td>
<td>Support to Improve Strategic Management, Legal &amp; Regulatory Fr</td>
<td>Rp M</td>
<td>538</td>
<td>80</td>
<td>80</td>
<td>96</td>
<td>96</td>
<td>46</td>
<td>46</td>
<td>46</td>
<td>46</td>
</tr>
<tr>
<td>10</td>
<td>Support Province(s), PEMDAs promoting AMSD</td>
<td>Rp M</td>
<td>870</td>
<td>135</td>
<td>177</td>
<td>177</td>
<td>95</td>
<td>95</td>
<td>95</td>
<td>95</td>
<td>-</td>
</tr>
<tr>
<td>11</td>
<td>Total Capital Expenditure ( 1 to ..)</td>
<td>Rp M</td>
<td>5,304</td>
<td>364</td>
<td>601</td>
<td>1,262</td>
<td>1,271</td>
<td>524</td>
<td>524</td>
<td>420</td>
<td>337</td>
</tr>
<tr>
<td>12</td>
<td>TOTAL EXPENDITURE</td>
<td>Rp M</td>
<td>6,207</td>
<td>466</td>
<td>706</td>
<td>1,370</td>
<td>1,382</td>
<td>638</td>
<td>642</td>
<td>541</td>
<td>462</td>
</tr>
</tbody>
</table>
5.6 Types of Resources

The main demand is for experienced institutional and organizational development consultants. The core team requires (i) a full time local consultant experienced with public sector management improvements and strategy development, especially those based on “new public management” principles, and (ii) a international consultant, for part of the two years. The remaining allocation of consultant times should be for the “field team” to work closely with the pilot PEMDA.

The field teams would contain one consultant with institutional and organizational development expertise to be shared between about 3 target SDOs, plus sector experts to help the target SDOs design and help implement their service delivery improvement plan, with core team assistance. Table 5.5 indicates a member of the field team could be present for about 2 months of each quarter.

Table 5.5 Summary of Consultant Inputs and Costs

<table>
<thead>
<tr>
<th>Aggregated Input Costs Breakdown</th>
<th>UNIT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Qtr 1</td>
<td>Qtr 2</td>
</tr>
<tr>
<td>Total Foreign Manmonths</td>
<td>mm</td>
<td>6.3</td>
</tr>
<tr>
<td>Total Local Manmonths</td>
<td>mm</td>
<td>89.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- for Core Team</td>
<td>mm</td>
<td>24.0</td>
</tr>
<tr>
<td>- for Field Team</td>
<td>mm</td>
<td>65.4</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Manmonths</td>
<td>mm</td>
<td>95.6</td>
</tr>
<tr>
<td>Total Costs Foreign Consultants</td>
<td>Rp M</td>
<td>1,250</td>
</tr>
<tr>
<td>Total Costs Local Consultants</td>
<td>Rp M</td>
<td>3,371</td>
</tr>
<tr>
<td>Total Remuneration Costs</td>
<td>Rp M</td>
<td>4,621</td>
</tr>
<tr>
<td>Total Training Costs - Preparation &amp; Delivery</td>
<td>Rp M</td>
<td>620</td>
</tr>
<tr>
<td></td>
<td>Rp M</td>
<td>373</td>
</tr>
<tr>
<td>Other (travel, accomm, campaigns, fees, etc)</td>
<td>Rp M</td>
<td>593</td>
</tr>
<tr>
<td>Total Program Capital Expenditure</td>
<td>Rp M</td>
<td>5,304</td>
</tr>
<tr>
<td>Consultants as % Program Expenditure</td>
<td>%</td>
<td>81%</td>
</tr>
<tr>
<td><em>Secretariat</em> &amp; Program Governance Opex</td>
<td>Rp M</td>
<td>903</td>
</tr>
<tr>
<td>Opex as % of CAPEX</td>
<td>%</td>
<td>26%</td>
</tr>
<tr>
<td>Total Program Expenditure for periods—&gt;</td>
<td>Rp M</td>
<td>6,207</td>
</tr>
</tbody>
</table>

Note: 1 Foreign mm and associated costs will not be included in “Field Team”, but consolidated into contract(s) at a higher level.

5.7 Allocation of Resources Between Regional Governments

A detailed split between the 3 local governments of the pilot, the Banten Province and other regional governments, as the Program is expanded to a second province, has not been attempted at this stage.

Part of the allocations for capacity development and information dissemination can be used to launch the Program in a second province, where the focus must be more strongly on empowering the Province to do the work. This aspect of the Program will need particular attention, as it is the lead-in for ensuring sustainability of the Program.
6. SUSTAINING IMPLEMENTATION AND PLAN UPDATE

Adoption of the Plan does not guarantee its sustained implementation. Deliberate management of change, of communications and of performance is required. Deliberate actions to provide leadership and improve feedback are required, rather than hoping adjustment will be self-generated. This chapter sets out the future management activities and processes particularly aimed at sustaining implementation of the service improvement program. It covers Step 4 of the strategic planning process in Figure 1.3 – it answers the question “how to sustain the Plan?”

6.1 Change Management – Leading, Communicating, Planning

6.1.1 Deliberate Management of Change

Introduction of the reforms embodied in AMSD have not been easy anywhere. Indonesia will be no different. Change may be the only constant, but nevertheless it is always resisted. But two critical factors in such a program for accelerated improvement of service delivery is supporting those who have the courage to attempt change, and proper management of the change process.

Failure to manage proactively the changes implied by the Plan at the institutional, entity and individual levels probably means failure to sustain the Program. Effective implementation actions will lead most quickly to achievement of the Program’s strategic objectives.

“Change management” at the three levels is therefore required because the Plan requires the main stakeholders to change their ways:

- the central departments / agencies must begin to coordinate improvement efforts,
- a new “Inter-departmental Working Group for Improving Service Delivery” needs to made effective, incrementally,
- the personnel in the AMSD Unit have to plan better and become more productive and accountable,
- the Provincial units in some form activated, and
- establishment of PEMDA and SDO / internal performance improvement teams.

Central government agencies must acknowledge the Program and begin to use it, as must the international development agencies. There is therefore much scope for the Plan to go wrong because one or more players does not or cannot change their current way of doing things.

Successful change management requires work on a number of factors, notably planning, communicating and leadership. Most important is leadership – which is likely to come from an Inter-departmental Committee (think of “governing board”) that provides direction to the AMSD Unit supported by a Technical Working Group (TWG) or sub-committee. The Committee develops, adjusts and oversees implementation of the Blueprint by the AMSD Unit’s Manager while the Unit Manager acts as Secretary to the Committee, chairs the TWG and oversees implementation within the Unit.
What are the important factors for nurturing, protecting and encouraging the changes? Are they present in the current arrangements? Will everyday business crowd them out? Who will lead the way? Again, the most important “process factors” are (1) planning of activities (2) communications between the important stakeholders and (3) the presence of a top management group willing to lead the way. Important aspects of these three factors (or processes) are noted below, before a number of others are discussed.

6.1.2 Leadership – Designing it In

Without a top management group, coalition or person taking responsibility for, among other matters, clarifying policies and objectives, controlling strategy and planning, assigning responsibilities and authority, ensuring communication, measuring progress and so on, there is no “mastermind” to keep the changes on track. There is no driving force; there is no one the people implementing the Program can follow.

Presently, what programs there are have little such leadership. For this reason, it is critical to establish a group to lead the change. The group, called here the Inter-departmental Steering Committee for Improving Service Delivery (or generically, a “Change Leadership Committee”) would steer the Program.

Box 6.1 outlines the parameters for the Change Leadership Committee or Board. Its numbers and composition require detailing. A pressing issue is how to establish the Committee in the first place, and who should be its chair. A temporary arrangement may be to appoint the Director General PUM.

The immediate purpose of the Committee is to guide and control (to “govern”) the implementation of activities set out in a Strategic Plan.

An early task is the development and approval of an “internal constitution”, or rules for governance of the Committee and its organs, among which is foreseen the AMSD Unit.
## Table 6.1: Key features of the Program's Inter-Department Steering Committee

<table>
<thead>
<tr>
<th>Parameter</th>
<th>Detail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Committee Purpose:</td>
<td>1 To establish and sustain a Program for Service Delivery Improvement based on AMSD</td>
</tr>
<tr>
<td></td>
<td>2 Guide and control (lead) the implementation of a Strategic Plan (the Blueprint), that describes objectives and sets priorities</td>
</tr>
<tr>
<td></td>
<td>3 To coordinate any other major performance improvement activities, to ensure fit with the resource demands of ongoing, or changed priorities</td>
</tr>
<tr>
<td></td>
<td>4 Conduct annual review and update of the Blueprint (Strategic Plan)</td>
</tr>
<tr>
<td></td>
<td>5 Provide leadership in the sectors for matters of measurement, monitoring and improvement</td>
</tr>
<tr>
<td>Committee / Board membership</td>
<td>1 Director General PUM</td>
</tr>
<tr>
<td></td>
<td>2 Director General BAKD - State Owned Enterprises – Home Affairs</td>
</tr>
<tr>
<td></td>
<td>3 “Director General” of Audits – State Auditor</td>
</tr>
<tr>
<td></td>
<td>4 PEMDA Representative 1 (chosen by Association) Provincial</td>
</tr>
<tr>
<td></td>
<td>5 PEMDA Representative 1 (chosen by Assoc.) Kabupaten</td>
</tr>
<tr>
<td></td>
<td>6 PEMDA Representative 1 (chosen by ADAKSI etc) Kota</td>
</tr>
<tr>
<td></td>
<td>7 Independent – advertised – from within the industry</td>
</tr>
<tr>
<td></td>
<td>8 One DG or equivalent from BAPPENAS, MoF, MENPAN</td>
</tr>
<tr>
<td>Core Group members</td>
<td>Home Affairs, MoF, MENPAN</td>
</tr>
<tr>
<td>Specific involvement of key stakeholders</td>
<td>1 PEMDA as above</td>
</tr>
<tr>
<td></td>
<td>2 SDOs through various associations</td>
</tr>
<tr>
<td>Meeting Frequency / Length</td>
<td>1 Quarterly / ½ day maximum first year</td>
</tr>
<tr>
<td></td>
<td>2 2- Monthly thereafter in second year / one day maximum</td>
</tr>
<tr>
<td></td>
<td>3 Quarterly thereafter / one day maximum</td>
</tr>
<tr>
<td>Meeting Location</td>
<td>Not in any members’ workplace (to avoid distractions)</td>
</tr>
<tr>
<td>Main Tasks</td>
<td>1 Draft the “Internal Constitution” and other governance documents to enable the Program Unit to operate with some autonomy but also with more accountability</td>
</tr>
<tr>
<td></td>
<td>2 Direct the development and implementation of a Communications Plan, a HRM/Training Plan and a Measurement Plan</td>
</tr>
<tr>
<td></td>
<td>3 Continually review content and implementation of Year 1 Action Plan for effectiveness and efficiency</td>
</tr>
<tr>
<td></td>
<td>4 Consider routinely the Core Group activities and recommendations</td>
</tr>
<tr>
<td></td>
<td>5 Negotiate “Performance Contract” with the AMSD Unit Manager</td>
</tr>
<tr>
<td></td>
<td>5 Institute a regime of good governance for the AMSD Program</td>
</tr>
<tr>
<td></td>
<td>6 Conduct annual review, including effectiveness of own activities; and report to respective Ministers</td>
</tr>
</tbody>
</table>
6.1.3 Communications

Each of the important stakeholders needs to understand the Program and Blueprint in order to truly support it. Understanding the Program will help them to (i) accept and to play their role (ii) be motivated by the performance targets and (iii) take needed actions. By understanding the changes foreseen, they will be able to nurture, protect, encourage and reward others whose behavior must change. Good communications will also validate their decision to support the Program as indications of progress begin to emerge, thereby creating a virtuous (a positive reinforcing) circle.

Table 6.2 outlines a first attempt to set the objectives and the means of communicating the Plan to various target stakeholders. Communicating the need to change, and the envisioned future workings of the Program, first within DEPDAGRI and then central departments / agencies, prospective PEMDA and among donors would create sponsors, champions or facilitators and to provide the initial energy for launching it to the external stakeholders.

Activities to improve the communications should cover both marketing the Blueprint and demonstrating the usefulness of the AMSD Program. Marketing the Program needs to be supported by evidence that it is useful, so the information on the current pilots should be included.

6.2 A Structure for Providing Leadership of Service Improvement

On the understanding that stronger coordination among central government ministries is essential in the longer term, and that “donors” may have a role to play, the following (Figure 6.1) is a possible “structure” for the Inter-departmental arrangements. It is suggested this be kicked-off informally with support of the donors working with DG-PUM, and by focusing on operationalizing one or more TWG. This structure allows government to involve donors and yet remain “in-the driving seat”.
Table 6.2: Outline of Communications Plan

<table>
<thead>
<tr>
<th>Objective</th>
<th>Target</th>
<th>Message</th>
<th>By Whom?</th>
<th>By when?</th>
</tr>
</thead>
<tbody>
<tr>
<td>To be able to describe the 8 basic AMSD strategies (thru increasing diklatan and incentives for Unit and PEMDA)</td>
<td>Unit Personnel Select Provincial Units Internal Teams in PEMDA, SDOs</td>
<td>AMSD strategies are real AMSD strategies address real problems AMSD strategies are useful for DEPDAGRI / PEMDA core</td>
<td>Unit Manager with Consultant support</td>
<td>6 months after Program start</td>
</tr>
<tr>
<td>Convince DEPDAGRI Executive to pay more attention to AMSD (gaining support for the Program governance arrangements as they are ramped up) Identification of Board members</td>
<td>Directors within key components in DEPDAGRI Potential members of the Steering Committee Diklat and Litbang</td>
<td>Good for DEPDAGRI Good for PEMA Lower risks / control maintained Sustainability, modern</td>
<td>Unit Manager Head of TWG DSF staff Consultant</td>
<td>Month 9</td>
</tr>
<tr>
<td>Convince central government agencies to recognize the “truths” in the AMSD strategies (Retention / Expansion of pilots thru external forces on PEMDAs)</td>
<td>Home Affairs MoF State Auditor BAPPENAS Public Works and others</td>
<td>It’s legal It support their technical solutions Caters for their needs They can adapt / influence</td>
<td>Director of Unit Consultants International Agencies</td>
<td>Month 12</td>
</tr>
<tr>
<td>Identify possible additional financiers (Economies of scale in expansion)</td>
<td>MoF Donors RG Associations</td>
<td>Complies with Government policy to improve services Safe “investment”</td>
<td>Director of Unit</td>
<td>Month 12</td>
</tr>
<tr>
<td>Convince international agencies to use the Strategies for their projects (Retention / expansion of pilots)</td>
<td>World Bank Asian Development Bank Bi-laterals</td>
<td>Addresses past ID/OD failures Useful for projects Helps service delivery in long term Ideological concerns covered</td>
<td>DGs involved in the Steering Committee DSF managers</td>
<td>Month 15</td>
</tr>
<tr>
<td>Convince non-member target number of PEMDA to join Program (Expansion)</td>
<td>Local Governments Non-member SDOs Local Gov. Association Education &amp; Training Foundations Consumer’s Association</td>
<td>Helps Loc Gov. supervise their SDOs Addresses legal accountability concerns A tool to manage Complements other tools</td>
<td>Director of Unit Chair and members of the Steering Committee</td>
<td>Month 18</td>
</tr>
<tr>
<td>Convince SDOs who have introduced AMSD strategies to “maintain” their “membership”. (Retention)</td>
<td>Local Governments Local Gov. Association Member SDOs Education &amp; Training Foundations Consumer Assoc.</td>
<td>Helps Loc Gov. supervise Addresses legal accountability concerns A tool to manage Complements other tools</td>
<td>Unit Manager Executive Director and Chairman (including through video)</td>
<td>Month 24</td>
</tr>
</tbody>
</table>
Figure 6.1: Government Coordination for Service Delivery Improvement

6.3 A (Temporary) Technical Working Group for Improvement of Service Delivery

It will take time to get the foregoing Committee arrangement into place. In the meantime it is suggested a Technical Working Group be established of interested parties. The workings of this group are described in Appendix K. With donor support in the early stages, this group can help DG-PUM get the wider version of the Program governance arrangements started, as DG-PUM develop an understanding of the key coordination needs and procedures.
6.4 Action Planning - Continual

The Blueprint is a strategic plan – it sets directions and objectives, and outlines resources, but such documents are not highly action-oriented. This Blueprint has attempted to go beyond the norm on the understanding that an action plan that can be agreed by key actors may be some time in the making.

However, to kick-off the action planning effort, Table 6.3 has been prepared (based on that presented in the Inception Report) to identify more closely a series of causes and effects initially outlined in Chapter 4. The table is in effect a “logical framework” for the Program, that gives particular attention to the important assumptions that must hold in order for the Program to take hold.

Upon launch of the AMSD Program, a formal AMSD Action Plan should be prepared, agreed and updated annually.

6.5 Performance Management of the Program

6.5.1 Managing Objectives, Systems, People

This is another “sustaining” activity for the Program, and mimics a key strategy of AMSD. It says: “for success, provide clear objectives for the Program, then manage the Program Unit and the people implementing the Program, based on results”.

The intended results need to be quantified as much as possible, targets set and progress monitored and evaluated. Therein lays one of the basic competencies that should be established under the AMSD Program – of performance measurement.

It is noted that this element of the Program justifies considerable work on planning for improvement (capacity development) of people, for marketing, for measurement of performance and even for audit/evaluation and so, Plans for these functions similar to that for communications (Table 6.2) should be prepared.

6.5.2 Measurement, Evaluation and Improvement under the Blueprint

Establishing a cycle of measurement, evaluation and improvement of plans is another foundation of performance improvement. Development of a scorecard of indicators for the Program, as is advocated for the AMSD Pilots, would help steer the Program, and provide a learning-by-doing experience for the persons managing the Program.

Table 6.4 contains a selection of possible performance indicators that may be used to assess progress and make changes as the Program unfolds. The indicators have been grouped by inputs, outputs and outcomes. It may be beneficial to consider grouping them by interests that the various stakeholder groups may have (say financial, customer, operational and enablers) in the fashion of a balanced scorecard.
<table>
<thead>
<tr>
<th>Outcome / Output</th>
<th>Performance Question</th>
<th>Indicators</th>
<th>Risks /Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Outcomes</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Rational use of various institutional arrangements for sub-national service delivery</td>
<td>What and how much is the benefit of using AMSD?</td>
<td>Proof of benefits of AMSD</td>
</tr>
<tr>
<td>2</td>
<td>Development and use of alternative service delivery strategies, incl. contracting methods</td>
<td>How attractive are the alternative methods?</td>
<td># of LGs that show interest in replicating alternative methods of service delivery</td>
</tr>
<tr>
<td><strong>Outputs</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Capture, disseminate Pilot results in workshops for results dissemination</td>
<td>How broadly are results disseminated, and how much interest do the pilots attract</td>
<td>List of feedback/ comments voiced at the workshops</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td># of publications distributed and downloaded</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td># of workshops, and # of participants and institutional affiliations</td>
</tr>
<tr>
<td>4</td>
<td>Pilot of “consequences” and other AMSD strategies</td>
<td>How successful are the pilots?</td>
<td>Document lessons from the pilots</td>
</tr>
<tr>
<td>3</td>
<td>Pilot of “performance contracting” (between LG and public service provider)</td>
<td>How successful are the pilots?</td>
<td>Document lessons from the pilots</td>
</tr>
<tr>
<td>2</td>
<td>Plan for use and improvement of various institutional arrangements</td>
<td>Is the proposed approach generally accepted?</td>
<td>List of issues/ recommendations voiced at the workshops</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td># of workshops, and # of participants and institutional affiliation at workshops</td>
</tr>
<tr>
<td>1</td>
<td>Review of the legal and regulatory frameworks, and past GOI and donor experience with AMSD</td>
<td>What concerns / recommendations do GOI counterparts and donors have?</td>
<td>List of comments and feedback on the review</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>List of findings and recommendations from assessment of GOI and donor experiences with AMSD</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>List of legal instruments (CG and LG) on AMSD</td>
</tr>
</tbody>
</table>

Note: Cause and effect chain flows from bottom to top.
Table 3.3: A Selection of Program Performance Indicators

<table>
<thead>
<tr>
<th align="left"><strong>Outcomes:</strong> (indicating success in establishing a service delivery improvement program)</th>
</tr>
</thead>
<tbody>
<tr>
<td align="left">25. Level of satisfaction of PEMDA with support under the Program.</td>
</tr>
<tr>
<td align="left">26. Level of complaints about the Program.</td>
</tr>
<tr>
<td align="left">27. Degree of dissemination a relevant policy statement on service delivery improvement</td>
</tr>
<tr>
<td align="left">28. Specific changes made to the legal and regulatory framework</td>
</tr>
<tr>
<td align="left">29. Percentage (%) of SDOs in pilot PEMDA adopting a AMSD strategy</td>
</tr>
<tr>
<td align="left">30. Percentage (%) of PEMDA that have revised PERDA in accordance with PP38/2007 or PP41/2007 for 50% of functions.</td>
</tr>
<tr>
<td align="left">31. Percentage (%) of Provinces able to facilitate Kab/Kota design and implement AMSD improvements.</td>
</tr>
<tr>
<td align="left">32. Functionality of the Program Governance Organization (meeting notes, attendance etc)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th align="left"><strong>Outputs</strong> (that support establishment and operation of a System / Program of Improvements)</th>
</tr>
</thead>
<tbody>
<tr>
<td align="left">33. Existence of a policy statement on service delivery improvement.</td>
</tr>
<tr>
<td align="left">34. Existence of “Model Perda” for the sectors in which pilots are developed.</td>
</tr>
<tr>
<td align="left">35. Percentage (%) of AMSD strategies with written guidelines / training modules</td>
</tr>
<tr>
<td align="left">36. Percentage(%) of key personnel in pilots who have attended basic training.</td>
</tr>
<tr>
<td align="left">37. Percentage (%) of pilot SKPDs with Flexible Performance Agreements</td>
</tr>
<tr>
<td align="left">38. Percentage (%) of pilot SKPDs undertaking other performance improvements</td>
</tr>
<tr>
<td align="left">39. Availability of information sheets on AMSD pilots covering all aspects of the CSFs</td>
</tr>
<tr>
<td align="left">40. Percentage (%) of SKPDs in pilot Pemda requesting assistance.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th align="left"><strong>Inputs</strong> (that are needed to produce the outputs)</th>
</tr>
</thead>
<tbody>
<tr>
<td align="left">41. “Face-time” of institutional experts with pilot SKPD as a percentage (%) of total available</td>
</tr>
<tr>
<td align="left">42. “Face-time” of institutional experts with target PEMDA</td>
</tr>
<tr>
<td align="left">43. “Face-time” of sectoral experts with pilot SKPD</td>
</tr>
<tr>
<td align="left">44. “Face-time” of institutional and sectoral experts with Province personnel</td>
</tr>
<tr>
<td align="left">45. % of target PEMDA working on a FPA with performance indicators</td>
</tr>
<tr>
<td align="left">46. % target SKPDs working on a Performance Improvement Plan which includes a FPA</td>
</tr>
<tr>
<td align="left">47. % target pilot PEMDA establishing a Steering Committee for AMSD</td>
</tr>
<tr>
<td align="left">48. % target PEMDA agreeing an MoU with Province / DG-PUM on AMSD approaches.</td>
</tr>
</tbody>
</table>
6.6 Special Evaluations

Finally, to improve the sustainability of the Program, it is suggested that the Program would benefit from occasional evaluation by external experts. In this way matters that may be overlooked, unknown to or not in the interested of the AMSD Unit, the Program Governance Committee or their supporting experts could be identified, discussed with key actors and adjustment made as the Program proceeds.

6.7 Adoption of this Blueprint, and Next Step

This Plan should be “formalized” in some manner. It is suggested, that to give it a context and to fit it into the “planning legal infrastructure”, it should be presented to and discussed with all components of DEPDAGRI and the key departments and agencies.

It might then form the basis for the Strategic Plan suggested as being the basic document guiding the Program Steering Committee. At a minimum, it provides the basis for a more informed dialogue with key actors about the structure of a major program to improve service delivery in regional governments.

After adjustments, it might then be declared as being the detailed plan to accompany the “Grand Strategy for Implementing Regional Autonomy” and integrated into DEPDAGRI’s new strategic plan (2010 – 2014), the preparation of which has just begun.

The Plan can also be used as the basis for DEPDAGRI opening a discussion with technical departments and agencies about systematic improvement of service delivery, how it is impacted by institutions and organizations, and the respective roles and responsibilities of central government agencies. They might also be reminded of the need to allocate resources for supporting improvement and change of service delivery systems, as distinct from further investment in current systems.

That leaves the question of next steps? The following figure shows a more detailed activity schedule than the indicative schedule in Chapter 5. It is suggested the next step is to package and procure the expert assistance for the pilot projects and Program management.

Figure 6.2: Detailed Activity Schedule

(see over)
### IMPLEMENTATION PROGRAM FOR AMSD MODELS IN BANTEN, 2009-2011

#### ACTIVITY SCHEDULE

<table>
<thead>
<tr>
<th>No.</th>
<th>Description of Program / Activities</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td>1</td>
<td><strong>DETAILED DESIGN PILOT / DEMONSTRATION PROJECTS</strong></td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Preparation</td>
<td></td>
</tr>
<tr>
<td>1.1.1</td>
<td>Formation of Steering Team &amp; Technical Team</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Agreeing Perceptions concerning Object of Discussion</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>Agreeing Understandings concerning AMSD and its Implementation</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Detail Activities</td>
<td></td>
</tr>
<tr>
<td>1.4.1</td>
<td>1.1 Formation of Steering Team &amp; Technical Team</td>
<td></td>
</tr>
<tr>
<td>1.4.2</td>
<td>1.2 Agreeing Perceptions concerning Object of Discussion</td>
<td></td>
</tr>
<tr>
<td>1.4.3</td>
<td>1.3 Agreeing Understandings concerning AMSD and its Implementation</td>
<td></td>
</tr>
<tr>
<td>1.5</td>
<td>Organizing Activities</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Choosing Options among Main Strategies</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Formulating objective of service</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>Identification of problems</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>Identification of Strategic Objectives based on AMSD strategies</td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>Analyse suitability of Strategic Objectives using benefit/cost ideas</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>Select Strategic Objectives</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Implement Program for Select Strategic Objectives</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Identify specific activities</td>
<td></td>
</tr>
<tr>
<td>3.2</td>
<td>Identify specific activities for sub-contracting</td>
<td></td>
</tr>
<tr>
<td>3.3</td>
<td>Obtain approval in principle for sub-contract activities</td>
<td></td>
</tr>
<tr>
<td>3.4</td>
<td>Prepare a TOR for activities, including sub-contracts</td>
<td></td>
</tr>
<tr>
<td>3.5</td>
<td>Obtain available supporting budget</td>
<td></td>
</tr>
<tr>
<td>3.6</td>
<td>Identify Work Unit and other Stakeholders</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Implement Select Strategic Objectives</td>
<td></td>
</tr>
<tr>
<td>4.1</td>
<td>Formulate Specific Objectives</td>
<td></td>
</tr>
<tr>
<td>4.2</td>
<td>Formulate Specific Targets</td>
<td></td>
</tr>
<tr>
<td>4.3</td>
<td>Formulate Indicators and Performance Standards</td>
<td></td>
</tr>
<tr>
<td>4.4</td>
<td>Breakdown impact of implementing Select Strategic Objectives</td>
<td></td>
</tr>
<tr>
<td>4.5</td>
<td>Identify Potential Obstacles</td>
<td></td>
</tr>
<tr>
<td>4.6</td>
<td>Identify optional strategies for obviating potential obstacles</td>
<td></td>
</tr>
<tr>
<td>4.7</td>
<td>Formulate and negotiate FPA</td>
<td></td>
</tr>
<tr>
<td>4.8</td>
<td>Facilitate relations with Head of Region &amp; Sekda</td>
<td></td>
</tr>
<tr>
<td>4.9</td>
<td>Facilitate relations with other SDOs and tech agencies(PKLT)</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>IMPLEMENTATION PILOTS/ DEMONSTRATIONS</td>
<td></td>
</tr>
<tr>
<td>5.1</td>
<td>Continued design/technical/operational design</td>
<td></td>
</tr>
<tr>
<td>5.2</td>
<td>Implement the technical/operational design</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>1</td>
<td>COLLECTION AND DISSEMINATION OF INFORMATION/KNOWLEDGE</td>
<td></td>
</tr>
<tr>
<td>1.1</td>
<td>Collect lessons from implementation</td>
<td></td>
</tr>
<tr>
<td>1.2</td>
<td>Analysis of issues and formulate impact on AMSD model</td>
<td></td>
</tr>
<tr>
<td>1.3</td>
<td>Discuss issues, and</td>
<td></td>
</tr>
<tr>
<td>1.4</td>
<td>Amend the model of AMSD</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Develop information packages based on lessons</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Success and failures of AMSD adoption</td>
<td></td>
</tr>
<tr>
<td>2.2</td>
<td>Strategy choices for performance improvement based on context and service</td>
<td></td>
</tr>
<tr>
<td>2.3</td>
<td>Impact on and regulatory existing framework</td>
<td></td>
</tr>
<tr>
<td>2.4</td>
<td>Systems and procedures developed for implementing AMSD</td>
<td></td>
</tr>
<tr>
<td>2.5</td>
<td>Gather Indicators and performance standards to be used</td>
<td></td>
</tr>
<tr>
<td>2.6</td>
<td>Working Mechanisms with stakeholders, and other</td>
<td></td>
</tr>
<tr>
<td>2.7</td>
<td>Design and establish dissemination modes (web, brochures, briefings, workshops)</td>
<td></td>
</tr>
</tbody>
</table>
### IMPLEMENTATION PROGRAM FOR AMSD MODELS IN BANTEN, 2009-2011

**ACTIVITY SCHEDULE**

<table>
<thead>
<tr>
<th>No.</th>
<th>Description of Program / Activities</th>
<th>Month</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>CAPACITY BUILDING (for all levels of GoI)</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Capacity Development for staff and organization-centre, regions</td>
<td>1</td>
</tr>
<tr>
<td>1.1</td>
<td>Develop use modules (i) MASD strategies and tools (ii) change management (iii) formulating and negotiating FPA (iv) performance measurement (v) implementation supervision, and others</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.2</td>
<td>Comparative studies and information exchange</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.3</td>
<td>Develop funding mechanisms</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.4</td>
<td>Restructure mechanisms an organizations in regions and centre</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.5</td>
<td>Develop tools for SDOs /PEMDAs</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.6</td>
<td>Develop front line employees</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>4</td>
<td>DEVELOP LEGAL AND REGULATORY FRAMEWORK</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Develop Legal/Regulatory Framework</td>
<td>1</td>
</tr>
<tr>
<td>1.1</td>
<td>Regulation(s) for adoption of FPA, adjust structures, regulators</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.2</td>
<td>Regulation(s) for adoption of PSO subsidy approach</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.3</td>
<td>Regulations to raise consequences (rewards and punishments</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.4</td>
<td>Regulations for involving customers and concerned community</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.5</td>
<td>Regulation(s) improving flexibilities for SDOs</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>5</td>
<td>PROGRAM DEVELOPMENT AND MANAGEMENT</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Management of the Program for the above activities</td>
<td>1</td>
</tr>
<tr>
<td>1.1</td>
<td>Consultant support, technical and advisory</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.2</td>
<td>Central support: Steering Committee, Technical Sub-committees</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.3</td>
<td>Provincial support, Steering Committee, Secretariat, Technical sub-committees etc</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.4</td>
<td>Support PEMDA, Steering Committee, Secretariat, Teams etc</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.5</td>
<td>Support Secretariat to Steering Committee</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>1.6</td>
<td>Program Administration</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>2</td>
<td>Preparation of follow-up Action Plan by DG-PUM</td>
<td></td>
</tr>
<tr>
<td>2.1</td>
<td>Formulation of continuing program</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>2.2</td>
<td>Screening regions for continuing AMSD</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>2.3</td>
<td>Build support, donors, technical programs in central agencies</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>3</td>
<td>Report implementation and results of Program</td>
<td></td>
</tr>
<tr>
<td>3.1</td>
<td>Formulate and disseminate results</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
<tr>
<td>3.2</td>
<td>Formulate and distribute implementation reports</td>
<td>1  3  5  7  9  11  13  15  17  19  21</td>
</tr>
</tbody>
</table>

**Notes**

2. In section A, 3 sectors begin simultaneously, but program assumes all will not finish simultaneously
3. Pilots in Year 2 with alphabet D and beyond and grey cells are additional sector in round 2
4. Program 1-5 (Implementation) is not under AMSD-DSF program
5. Bars without letters are valid for all.
APPENDICES

Appendix A: “Grand Strategy for Implementation of Regional Autonomy”

Appendix B: Description of AMSD Strategies

Appendix C: Checklist of AMSD Strategies

Appendix D: The Model Structure of a Sector (to Guide the AMSD Program)

Appendix E: Presentation to Inter-departmental Workshop

Appendix F: Stakeholder Analysis

Appendix G: Analysis of Survey of Key PEMDA Officials

Appendix H: Proposal for Next Stage as Discussed with DG-PUM

Appendix I: (not used)

Appendix J: Expenditure Projections

Appendix K: Draft SOP for a Working Group for Service Improvement

Appendix L: Bibliography and References
Appendix A

Home Affairs’ “Grand Strategy for Implementation of Regional Autonomy”
Extract from MOHA Document “Grand Strategi Pelaksanaan Otonomi Daerah”

Document signed by the Minister of Home Affairs, November 20, 2007)

CHAPTER VIII – REFORMATION OF PUBLIC SERVICES

VIII.1. Reformation Target

(1) The presence of Regional Government capacity in providing basic services and developing eminent sectors, which are in accordance with people interests, through effective, efficient and accountable ways.

(2). The presence of Regional Government capacity to apply premium services principles in the form of a better service, with a cheaper cost and in easier and faster procedure, may bring the services towards a one stop service, even towards one gate service.

(3). The presence of Regional Government capacity to encourage private sector to invest either in basic services or development of eminent sectors, as well as to extend partnerships between regional government and private sector, among regional governments (regency/city), and between government and public.

(4). The presence of Regional Government capacity to conduct assessment and improvement of services’ performance by using stipulated standards (SPM), as well as develop innovation and creativity upon public services supply in a faster, cheaper and better way.

VIII.2. Real Condition of Public Services

(1). The regions’ limited budget allocation for public services requirements (only about 30%)

appdx a.0 - extract from moha grand strategy for implementing decentralization-eng.doc
and excessive expenditures allocated for \textit{overhead cost} of regional governance administrators (KDH, DPRD and Regional civil services). Such condition occurs because of the Regional Government (Pemda) has not been oriented towards public services. Therefore, it is expected that the Government may encourage the administrations of regional governments, so they could deliver effective, efficient and economic services.

(2) Procedure, cost and time required for the accomplishment of public services delivered by Regional Government, have been uncertain for the people. Generally, services that are delivered by Regional Government have procedures, requirements and mechanism of services which are prepared by each Pemda. However, actually the procedure conducted was unclear, the cost and time expensed for services accomplishment—which the people supposed to accept from the Regional Government—have been uncertain.

(3) The Regional Government accountability required to deliver public service was poor, even frequently, the service provider does not recognize exactly the service it shall carry out.

(4) The absence of legal basis for the enactment of Minimum Service Standard (SPM) required for basic services

(5) The Regional Government’s procedure for the accomplishment of investment necessities has been complicated

(6) Most of Regional Governments have not recognized the importance of easy permission in investment, and the deficiency of regional incentive which purported to stimulate investment.

(7) Regional policies have not been quite favorable to take in investment, and consequently it causes legal uncertainty.

(8) Coordination among stakeholders has been still obstructed; Central, Regional and
Private Sector are likely running by each one’s own way.

(9). There are regions where human resources development aspect is extremely insufficient, as a result, funding aspect requires exceptional consideration.

(10). The \textit{entrepreneurship} attitude within Regional Governments setting has not been developed.

\textbf{VIII.3. Action Plan}

Based on target required to be achieved and in connection with the existing real condition, the necessary action plan is described as follows:

(1). Compose and decree a PP on Directives for the Preparation of Standard and Application of SPM as the basis for regulating Regional Governments’ accountability in basic services supply.

(2). Compose and decree a PP on:
   a. Procedure of Inter-Regional Cooperation Implementation;
   b. Governor’s Particular Function;
   c. Procedure of Special Area Stipulation;
   d. Directives for Urban Area Management;
   e. Incentives and/or Easy Access for Public/Investors.

(3). Improve budget allocation for public services and gradually reduce overhead cost. This step is related with institutional restructurization and personnel reformation, primarily those which related with \textit{minus growth strategy} for regional functionaries.

(4). Support the establishment of \textit{"one stop service"} either for public services and and easy access for investment service. \textit{One stop service} is not the objetive of service, but as an instrument to create a better, cheaper and faster service.

(5). Conduct evaluation upon public services and assess the performance of public services’ delivered by Regional Government.
(6). Establish a reporting system of the regional governance administration which consisted of conditions of public services provided by Region. Results of evaluation may become inputs for regional capacity building required for public services supply.

(7). In order to ensure quantity and quality of public services, the Central Government shall gradually support Regions in the financing concern, through Special Allocation Funds (DAK), in order to provide stronger and more aligned access for Central Pusat in empowering the regions. Strategy of modification of deconcentration funds allocation into DAK is one of alternatives on the basis of "win-win solution"; in which the Central could direct the regions without threaten regional autonomy principles.

(8). Encourage regions to develop a mechanism of public complaint channel, whenever the public services delivered by Regional Government’s apparatus have been unsatisfactory.

(9). Empowering regions, so they may capable to create a conducive environment for investment, such as ones stop services, easy access to permission, investment’s incentive, skilled workers supply, security, supply of facilities and prerequisites etc..

(10). Stimulate regions to develop local noble, initiative and creativity for the development of public services, therefore they may be examples of best practices to be disseminated to other regions.

(11) Develop a partnership among regions through regional association forum and between regions and private sector for public services supply. Therefore, it requires revitalization of regional association for the importance of cooperation of the public services supply.

(12). Facilitate Regional Governments’ capacity building in order to make them able to compose a strategic plan or RPJM on basic services supply, the development of eminent sector, then finally accommodate them into scale of priorities in APBD.

(13). Prepare a partnership strategy between Regional Government and Private sector either in
form of BOT, BOO, BOL etc., in public service supply and develop the regional eminent sector.

(14). Facilitate Regional Government which enacted breakthroughs in regional autonomy implementation through a *pro-reinventing government* policy.

(15). Establish *stick* and *carrot or reward and punishment* approach towards Regional Governments in public service supply concern.

(16). Develop an integrated public services reporting system between Central and regional.

(17). Prepare information system of regional eminent potential.

(18). Prepare an integrated *road show* strategy among stakeholders; Central, Regions and private sector in the effort of regional promotion to stimulate incoming investment to regions.

**Description of Action Plan**

Based on required target to achieve and in connection with existing real condition, the action plan required, is described as follows:

1. Knowledge on customers’ needs is the first step to achieve an excellent service quality. This could accomplished through preparation of the strategy of *Pemda* empowerment, so it may be capable to prepare RPJM on basic services supply and development of eminent sector, then manifested them into scale of priorities within APBD. This shall be very important to present orientation of service towards governance administration at regions.

2. Perform inventory and classification of services conducted by *Pemda*. Services that performed with orientation towards premium services principle in form of a better, cheaper, faster and simpler service. Such inventory and classification are based on:
a. Inventory and classification of the types of services shall be conducted by Government, which are; as public protection function, strategic infrastructure function, personal, and local environmental function. In addition, there is also regional government functions in service, which is administrative function.

i. Public protection function is a service that related with human being basic needs to response particular very important event within community. Such service includes; public protection, save people when fire is occurred, etc. Security protection is performed by police force, taking care public health by health services, and establish a production standard to keep up security for the community. In Indonesia, police service is performed by Central Government, while regional government shall only carry out service that dedicated for city orderliness, which performed by Pamong Praja Police Force and fire extinguisher department service.

ii. Strategic infrastructure function is a service the government provided, which related with infrastructure needs. The service is provided in form of transportation service, waste treatment, water supply, and services that deal with economic improvement

iii. Personal, and local environmental functions are services that purported to satisfy individual needs within a community, in form of social service, local environment, waste stack, education, health, housing, and gardening.

iv. Administrative function refers to regional governmental tasks to organize services that naturally clerical, permits (legitimation), and edification. For instance is demographic service (include: birth certificate service, Citizen ID/KTP service and death certificate service); Permits services (business permit,
stay permit, building construction permit, public fair permit, etc.; Legitimation service (such as: ownership legitimation service: land certificate, etc).

b. Build Pemda capacity to establish partnership among regions, either among regions and private sector in public service supply, in following steps:

i. Carry out classification of all types of services and then to be grouped into types of services and authorities of service supplier.

ii. Classification of public capacities in service administration. Is is purported to encourage people to be more capable to administrate their own requirements’ service. This classification is also very important in order to regulate services supplier at levels of Province, Regency/City, District, and Public or Private sectors. Such as service that could be administrated by local community, for instance are hygiene services, public and private are both supported to be capable to organize it by themselves. Concerning the hygiene service on waste treatment, the waste piling may be performed by the community and the treatment may be performed by private who capable to take the waste advantage, therefore it shall be fair added value for community.

iii. Conduct services cooperation among adjacent regencies/cities, in order to make public services could be performed sustainably.

iv. Reduce and combine public service administration among regions. If there is a public service with a small volume, it can make cooperation with other regency/city.

c. The classification of services abovementioned, also may present more concrete information on authorities in services. Services that naturally dedicated to governmental interest, among others demography service, supposedly shall be
performed by intimating the relationshipping between service supplier and community it is served, reduce bureaucratic pathway. Therefore, such service shall be performed at District level. The purpose is to materialize qualified service, close to the community that may impact the price (cost) the community expense.

3. Materialize premium service or prominent service. Principally, there are three key points required to present premium public service. First, a capacity to understand public necessities and needs, also include understand types of customers. Second, development of a more accurate database better than competitor (which include necessities and needs data of each customers segment, with assumption that the existing public is naturally plural, as well as pay attention towards change demands which in line with existing environment conditions). Third, the deployment of informations acquired from market research within a strategic framework.

4. Compose and decree a PP on Directives for the Preparation of Standard and Application of SPM as a basis to regulate Regional Government accountability in providing basic services. The concerned Directives for the Preparation of Standard and Application of SPM is the basic directives. Meanwhile, the service standard is supposed to be conducted by Regional Government itself. It is purported to make edification conducted by the Government shall not be assumed as central government’s intervention. This is in line with Regional Government’s expectation (forum: Mr. Achmad-Makasar), therefore SPM may be applied easily by Pemda.

5. Perform evaluation upon public services and assess the performance of public services provided by Regional Government.

Supposedly, the Government shall determine the performance’s elements and indicators of each service. Elements that shall be considered in determining
performance’s main indicators may describe: (a) performance as an individual accountability; (b) organizational performance as organizational accountability; and (c) performance that related with public as a public accountability. The three elements above are described in details as follows:

a. Individual performance that originated from results of work achieved by each service supply officer. It could be appeared in form of moral, ethics, and individual achievement. The assessment is extremely important, since it related with reward and punishment would be enacted by his/her supervisor as holder of work contract. In addition to, it is purported to honor attendant who has innovation and tidy/orderly in performing his/her task.

b. Performance at organization’s side, which may portray organization’s accountability;

c. Service performance that could be observed from public dimension to portray public accountability. The concerned public dimension is required to be developed within current autonomy trend, in order to materialize and present empowerment upon decentralization itself. It is purported to establish transparency with public concerning what the public wants, what can be administrated by the Government and what contribution offered by public to satisfy its needs.

6. Develop a reporting system of regional governance administration which contains conditions of public services provided by Region. The results of evaluation may become inputs for regional capacity building in concern of public service supply. Evaluation and assesment of performance abovementioned are highly connected with service reporting activity. Therefore, the establishment of reporting system of service
administration shall be carried out by Regional Government. Such mechanism is in line with the mandate upon accountability of Head of Regional Government, which comply with Law 32 year 2004, which is as follows:
By the above reporting mechanism, the performance of each regional government would be easily identified, the public capacity in presenting service purported to satisfy its needs would also be easily identified. The above concerned also clarify the service performance of 3 dimensions, which are from service provider individually, organizationally either publicly. In order to make the assessment objective and acceptable by the provider and recipient of service, it is necessary to take in public participation. Therefore, there shall be a transparent mechanism between the public as service recipient and the government as service provider.

**Reporting Mechanism of Public Service for Regional Government**

7. Compose and decree a PP on:

   a. Procedure of Inter-Regional Cooperation Implementation;
b. Particular Governmental Functions;

c. Procedure of Special Area Stipulation;

d. Directives for Urban Area Management;

e. Incentives and/or Easy Access for Public/Investors.

8. Improve budget allocation for public service and gradually reduce overhead cost. This step is related with institutional restructurization and personnel reform, primarily those which related with minus growth strategy for regional functionaries. Simplification of service procedure and methods is the main requirement in conducting institutional restructurization. This may have direct impact towards reduction of workloads in service. The reduction of workloads, in turn may reduce the number of functionaries/employees who manage the concerned service. In addition, support of information technology—as the service processing tool—is necessary.

9. Promote the establishment of "one stop service", either for public service and for ease investment service. One stop service is not an objective of service, but as an instrument required to create a better, cheaper and faster service. "One stop service" is a target shall be achieved by each institution of service provider. The steps shall be taken to create one stop service are as follows:

   a. Regional Government is obliged to conduct simplification of public service which related with administrative and legitimative services. The service requirements that acquire linkage in service may have a database and an integrated information resource. It is purported to reduce duplication of requirement within particular service.

   b. Generally, obstruction the regions experienced in materializing one stop service is the attitude of apparatus/functionary who has authority in service,
does not keen to present information on the service provided towards front liner,

10. In order to ensure quantity and quality of public service, Central Government will gradually support regions in the financing through DAK, which purported to provide stronger and directed access for Central in empowering the regions. Strategy of allocation modification of deconcentration funds into DAK is one of alternatives on the basis of "win-win solution" principle, in which the Central can direct regions without threaten regional autonomy principles.

11. Encourage regions to develop mechanism of public complaint address (public redress), whenever public services provided by Regional Government apparatus were unsatisfied.

12. Empower regions to make them capable of creating a favorable atmosphere for investment such as services under one roof, permit easy access, investment incentive, skilled workers supply, security, availability of facilities and prerequisites etc.

13. Stimulate regions to develop local noble, initiatives and creativity for the development of public services, therefore they could become examples of best practices to be disseminated to other regions.

14. Develop inter-regional partnership forums of regional association and between regional government and private sector in public services supply. Therefore, regional association revitalization is required in favor of cooperation interests on public service supply.

15. Facilitate Regional Governments’ capacity building to make them capable of preparing strategic plan or RPJM on basic services supply and development of eminent sector as well as manifested them into scale of priorities within APBD.
16. Prepare a strategy of partnership between Regional Government and Private Sector either in form of BOT, BOO, BOL, public service supply and development of regional eminent sector.

17. Facilitate Regional Government which enacted breakthroughs in regional autonomy implementation through a pro-reinventing government policy.

18. Establish stick and carrot or reward and punishment approaches towards Regional Governments in public service supply concern.

19. Develop an integrated public services reporting system between Central and regional.

20. Prepare information system of regional eminent potential.

21. Prepare an integrated road show strategy among stakeholders; Central, Regions and private sector in the effort of regional promotion to stimulate incoming investment to regions.
Appendix B

Description of AMSD Strategies
Alternative Mechanisms of Service Delivery

Description of the Strategic Elements

November 2008

Prepared for the Sub-Directorate for Public Services by Hickling Corporation

under contract to the Decentralization Support Facility

Jakarta, Indonesia
Contents

Introduction
Element 1 - Clarity of objectives, roles and authority
Element 2 - Covering the Cost of Service Delivery
Element 3 - Raise the Consequences (Rewards and Punishment)
Element 4 - Put the Customer “in driving seat”
Element 5 - Empower Service Delivery Organizations and Employees (without losing control)
Element 6 - Change Service Deliverer Organizational Culture
Element 7 – Change Sector Structure
Element 8 - Involve the Community and Private Sector

Note: Detailed Contents Lists are included at the front of each description
Introduction

This document describes the key elements of any strategy to deploy alternative mechanisms of service delivery (AMSD) to service improvements. The elements number eight (8), and although in practice it is difficult to separate each element entirely, they are described in the following document individually in order to highlight each element’s special characteristics.

It is also noted that each element may be considered a strategy in itself, although it is likely that successful introduction of AMSD is likely to require more than one of the elements being introduced to the service targeted for improvement using AMSD.

The 8 elements are:

- Element 1 - Clarity of objectives, roles and authority
- Element 2 - Covering the Cost of Service Delivery
- Element 3 - Raise the Consequences (Rewards and Punishment)
- Element 4 - Put the Customer “in driving seat”
- Element 5 - Empower Service Delivery Organizations and Employees (without losing control)
- Element 6 - Change Service Deliverer Organizational Culture
- Element 7 – Change Sector Structure
- Element 8 - Involve the Community and Private Sector

**Figure 1** summarizes these 8 elements.

The most important element is “1” (clarity of objectives, roles and authority, because this clarity is needed to provide the objectives the other elements help achieve. The advantages of the other elements will most likely be negated or unsustainable if the core functions of government (element 1) are not working well.

Is there a systematic approach to analyzing and designing a service improvement intervention based on AMSD? Every situation will obviously have peculiar features, but it is suggested that a problem identification or strategic environmental analysis should start with the question “is this service something the government wished to provide? In effect, it is treating the service as a “voluntary obligation” of PP 38 / 2007 regulating the division of functions between levels for government.

**Figure 2** shows a decision flow diagram and where in the process one or more of the most applicable AMSD elements / strategies for that step could be considered

The remainder of the document describes each of the elements. Advantages and disadvantages of each element are described, although “tips” for successful implementation of the element or avoiding pitfalls have not been included.
Figure 1 The Strategic (Technical) Elements of AMSD

1 Clarity of objectives, roles, authority and responsibilities by:
   - Clarifying objectives
     - Visioning / mission statements
     - Strategic management & planning
     - Performance Based Budgeting
     - MTEF
     - Strategic Evaluations / Auditing
   - Separating policy-making, regulation (gov.) from implementation, enforcement (any efficient service provider)
   - Clarify the relationships between actors using written agreements ("Flexible Performance Agreements")

2 Resources: set service charges so as to cover production costs, wherever possible:
   - User-pays for "private goods"
   - Disconnect from APBD to improve predictability, link quality and resources
   - Incentivize funding; base on results
   - Use "PSO contract" for those who

3 Raise consequences (rewards and punishment) by:
   - Mobilize market: “Enterprise management” (internal competition, BLUDs, BUMDs)
   - Use competition to incentivize: Market-testing (contracting-out), Benchmarking: Act.B. Costing

4 Put the Customer “in driving seat”
   - Give customers choice (PSO / CCT’s, Vouchers)
   - Customer Quality Assurance
     - Citizen Charter, Scorecards
     - SPMs
     - ISO 9000, TQM
     - Systems for Customer Satisfaction, Complaints handling

5 Empower Service Delivery Units while retaining control of policy
   - Trade autonomy for accountability
     - Give admin. flexibility to UPTs, Badan, BLUD, BUMD (budget, HRM, procurement, audit etc.)
   - Build organization capacity; e.g.
     - Internal re-organization (like 1)
     - ISO 9000 certification; TQM
     - SOP / process improvement
     - ICT; work-teams

6 Change employee culture – “de-bureaucratize”- by (for example):
   - Provide new experiences
     - Internships, rotations etc
   - Provide a new "work-contract"
     - Professional HRM/HRD
   - Employee councils/ surveys
   - Professionalize thinking

7 Restructure service sectors:
   - Devolution (to kecamatan & desa, for example)
   - Horizontal and vertical (un) bundling of production
   - Cross-sector (un) bundling
   - Competition rules
   - Capture economies of scale/ scope, develop/utilize specialization, raise transparency and accountability, and incentives

8 Empowering the Private Sector and Community
   Use Profit motive / incentive and "ownership" to:
   - Increase investments
   - Raise efficiencies
   - Broaden access to skills
   - Improve governance
   - Trigger and lock-in reforms

AMSD is founded on reducing bureaucratic behavior and raising the use of incentives through:
- Clarity of the future direction of government, programs and roles
- Consequences of performance
- Customer focus
- Controlling policy but not implementation methods
- Cultural change inside Service Providers and their employees

1 The elements are not mutually exclusive, e.g. 1 and 7 are closely related as are 2,3 with 8 and 5 with 8
Figure 2  
A Decision Tree for Applying the Strategic Elements of AMSD

1, 3, 5  ← AMSD Element of particular importance in the decision
Element 1
Clarity of objectives, roles and authority

Contents

Background and Objectives .................................................................................................................. 1

Alternative Mechanisms Arising from the Element ............................................................................ 1

A. Clarify direction through strategic management........................................................................... 1
B. Clear away programs that are not contributing to achievement of goals...................................... 1
C. Uncouple the policy / regulatory functions (steering) from service delivery and compliance (rowing) functions. .................................................................................................................... 1

Tools for Implementing the Alternative Mechanisms ......................................................................... 1

Connection to other Elements ............................................................................................................. 3

Advantages............................................................................................................................................. 4

Disadvantages ........................................................................................................................................ 4

Special Note .......................................................................................................................................... 4

ANNEX 1: ............................................................................................................................................. 1

Example of a Flexible Performance Agreement (FPA)........................................................................ 1

Main Body of Agreement...................................................................................................................... 1

Attachment A Example of Part IV of FPA: (Expected Outcome)......................................................... 4

Attachment B Some Flexibilities in Regulations that can be Considered........................................... 5

Figures and Tables
Element 1
Clarity of objectives, roles and authority

Background and Objectives

The word “government” comes from the ancient Greek word meaning “to steer”. Therefore, the original concept of the core activity of government was to (i) set broad directions for the community, (ii) facilitate other organizations – be they operational units of government, the private sector, the community or individuals – “do” things, including providing services (iii) monitoring how others are performing, and (iv) taking corrective action. As time progressed, governments became involved in many activities, to the point where it is confusing to most people. Nevertheless, the Government should primarily steer the boat, so others can row it!

This element of AMSD aims to achieve this. It achieves this clarity by (a) making clear the government’s objectives (b) clearing away non-essential programs and activities of government and (c) separating policy-making / regulatory, service delivery and compliance functions.

Responsiveness, efficiency, effectiveness, fairness, transparency and accountability are all improved by this element.

This element is a pre-condition to successful implementation of the other elements.

Alternative Mechanisms Arising from the Element

A. Clarify direction through strategic management

B. Clear away programs that are not contributing to achievement of goals

C. Uncouple the policy / regulatory functions (steering) from service delivery and compliance (rowing) functions.

Tools for Implementing the Alternative Mechanisms

A. Clarity of direction: Through strategic management (not just strategic planning), defining their vision and core purposes clarifies the policy outcome goals of government in any service.

1 The main references for this strategy element are:

- Asian Development Bank (2000); Improving Public Administration in a Competitive World; editors S Schiavo-Campo, Sundanarm, PSA
- Schick, Allen 1998; A Contemporary Approach to Public Expenditure Management; World Bank Institute
- OECD (2002); Distributed Public Governance – Agencies, Authorities and Other Autonomous Bodies; pp 198; Publication of the Public Management Committee (PUMA), Paris, 2002
- David Osborne; Pastrik, P; (2000); The Reinventor’s Fieldbook – Tools for Transforming Your Government; Jossey-Bass
- OECD (Feb 1997); Best Practice Guidelines for Contracting Government Services; PUMA Policy Brief No 2
Strategic management then helps align all efforts of government to achieving those goals through effective use of; e.g.

- **Visioning processes** for the government and community (a better Musrenbang process for example);
- **Outcome goals** (for example as set by Bappenas in the National Government Workplan – Perpres 19/2006 - being an example, although they need to be more quantitative).
- **Steering Organizations:** Empowered advisory boards, councils, commissions and (state) ministries etc that create visions, set objectives, choose strategies and service providers, fund, and monitor performance (the Election Commission or KPU perhaps being an example).
- **Mission statements** as a way of simply explaining to everyone what the organizations exists for (examples include statements made under ISO 9000 quality management systems, as are being introduced into some PDAMs, and even Diklat Depdagri).
- **Strategic Planning** say as regulated in UU 25/2005 and PP 7/2007(assuming of course that the processes as regulated do in fact deliver effective strategies).
- **Performance-based** budgeting that defines the policy outcomes the legislators purchase with each budget sum they approve (all as intended in Law 17/2003, PP 20 and 21/2005 on workplans, and PP58/2005 on regional financial management).
- **Medium Terms Expenditure Frameworks (MTEF),** being projected budget estimates that (i) show the consequences in the future of today’s decisions (ii) forces planners to consider budget and (iii) raises transparency by making the information available to the press and public.
- **Modern (e) procurement:** use of technology to make more efficient the procurement process, as well as improving its transparency and reducing the opportunity for corrupt practices – as is now being piloted by Bappenas.
- **Strategic evaluation** that examines the chain of cause-and-effect from inputs through processes to outputs to evaluate whether actual outputs are delivering the planned outcomes and whether program outcomes are aligned with broader societal wants and needs. It therefore evaluates impacts, identifies lessons learned and makes recommendations for changes that will improve outcomes (this has begun in Indonesia with the introduction of the LAKIP process and the recent creation in Bappenas of a whole “Directorate General” for program evaluation).

B. **Clearing away non-essential (non-core) functions, programs and activities of government** that do not contribute to achievement of policy goals by stopping them, moving them to another sphere of government or allowing the private sector or community to perform them. e.g.

- **Program Reviews** that look carefully at specific programs as the need arises and recommend changes / abandonment (e.g. the new Bappenas evaluation organization should be promoting this tool)
- **Periodic Options Reviews** that require routinely the examination of organizations and their main programs / functions and determine whether they should be reduced or increased in output, changed, moved elsewhere or abandoned
- **Contracting –out** the development of needed assets by the private sector or transfer of use of state asset to others (e.g. BOT schemes, or long leases on state land allowing the development of recreation facilities)
- **Asset sales** to move the responsibilities of ownership of assets that “clutter” the view of government; e.g. land that is not well utilized, or businesses that no longer service the
social mission they were originally established for and that are loss-making – sale of real estate development firms being and example

C. **Uncoupling Policy from Service Delivery** creates clarity of roles. Allows policy-making organizations (like Sekda and Bappeda) to concentrate on policy – while delivery organizations like Dinas Kesehatan or Public Works concentrate on achieving a few clear missions. Compliance enforcement organizations like Kantor Lingkungan should and can be separated from service delivery e.g.:

- **New decrees related to organizational structure and main functions** that create distinct “steering” and “rowing” organizations, with the steering (policy) organization helping the legislature concentrate on deciding (a) what services are needed and to what standard (2) the alternative strategies for achieving this aim and (3) how much they are willing to pay or a willing to ask the community to pay.

- **Flexible Performance Agreements** (alternatively known as “frameworks or “contracts”) that ensures:
  1. The policy-maker is “put at arms length” from the service deliverer (Element 1)
  2. Clarity about the resources that will be appropriated (Element 2),
  3. Consequences (Element 3),
  4. The ability to define performance with a customer perspective (Element 4),
  5. The service organization can negotiate the degrees of autonomy it needs to perform in exchange for accountability (Element 5)
  6. Conditions in which the employee culture can be oriented more to service, innovation and results (Element 6).
  7. Once the service deliver is being managed through a Flexible Framework Agreement, it is then a short step to using them to manage up and downstream parts of the production cycle, to delegate / devolve to other levels of the government (Element 7); and
  8. A competency is being developed to contract to a private or community owned entity.

**Connection to other Elements**

Clarity of objectives, roles and authority is a pre-condition to many alternative mechanisms of service delivery, because most are based on the understanding that more operational autonomy and stronger incentives are needed to encourage higher performance of SDs. Setting clear objectives, simplifying programs and separating roles:

1. Clarifies to customers who is responsible for service quality and therefore links more closely service quality and willingness to pay (Element 2)
2. Enables costs to be allocated to different functions, encouraging accountability and reward for performance (Element 2);
3. De-linking policy and provision facilitates introduction of consequences (Element 3)
4. Enables the government to heed customer pressures for improvements / changes without embossing themselves (Element 4)

5. Empowers each organization to develop the competencies it needs because it has been freed of the confusion arising from trying to achieve multiple (often incompatible) objectives (Element 5)

6. Simplifies bureaucratic reform (employee culture change) by reducing the organizations that need to develop and evaluate policy (Element 6)

7. Enables vertical and horizontal unbundling / bundling of the production function and devolution because the difficult functions of governance can be separated from the “common” functions of production of services - managing men, money, machines and methods (Element 7); and

8. Because services delivers performance are now being judged almost entirely on their efficiency and effectiveness, service delivery can include private or community providers (Element 8)

Advantages

1. Makes clear the government’s objectives.
2. Improves transparency and accountability.
3. Removes the conflict of interest between responsibility for policy-making, service delivery and enforcing compliance.
4. Allows specialization of government’s functions.
5. Allows a greater choice of Service Deliverers (SDs) as they no longer are involved with policy-making.
6. Reduces the opportunity for politicians and executive to interfere in operational matters.

Disadvantages

1. Can lead to mutual accusations on responsibility and therefore reduced accountability.
2. Requires good information systems to assess the contribution to “performance” of the policy compared with the contribution of implementation.
3. May reduce the control of government over policy, i.e., the influence of government and the quality of governance.
4. Needs strong political support as it shifts power away from traditional sources

Special Note

Flexible Performance Agreements are seen as being central to service improvement because they bring in all elements of AMSD. They provide the thread through the spectrum of alternative mechanisms of service delivery. They provide a “control system”. They provide a means to expose issues among key actors and the incentive to begin to fix complicated problems that a service deliverer alone cannot fix.

ANNEX 1 exhibits a model for a Flexible Performance Agreement.
ANNEX 1:

**Example of a Flexible Performance Agreement (FPA)**

**Main Body of Agreement**

Flexible Performance Agreement

between

Regency/City Regional Government of Sukamadju and Drinking Water Regional Enterprise of Sukamadju

I. **Organization's Mission**: (what is the most basic goal of the organization; why is there such a goal; and what does the "Mission Statement" sounds like)

II. **The most basic Responsibility of the Organization**: (to undertake "Tupoksi" (main roles and function), e.g. provide service to all layers of society, provide water that can be consumed directly from tap, and does not suffer financial losses).

III. **Resources that will be provided during PFA**:

   III.1 Operational budget each year during the life of the PFA
   III.2 Investment budget each year during the life of the PFA
   III.3 Special conditions related to management of human resources
   III.4 Other resources (e.g. raw water with certain qualities)
   III.4 Special regulation regarding the system(s) for accounting, audit and reporting.

IV. **Expected Results (outcome or outputs)**

   IV.1 Key Performance Indicators (KPI) at the organization level[^4] (main outcome, not more than 5 to 10 KPIs that indicate achievement of goals)

---

[^2]: This term is used, since usually there is no “contract” between government agencies. If an organization truly becomes a PT (limited company), then the term and agreement could become a “contract” that could incur legal consequences, since it is now "enforceable".

[^3]: This agreement is between the Regional Government and the organization, not individuals. FPA could also be used for various agencies within the Regional Government's environment.

[^4]: See Attachment A for a typical “balanced scorecard” of performance indicators.
IV.2 Two KPIs from regional plan / RJPM (District level, not more than 2)
IV.3 Role of the Service Delivery Organization / agency / company in providing policy inputs to the Regional Head and performance indicators of how well this task is performed.
IV.4 The goal of the leadership unit of the Service Delivery organization – eg Board of Directors - itself (e.g.: enhance leadership capability, change organizational culture, etc.).
IV.5 Methods to be used for measuring and reporting performance.
IV.6 Methods to audit and measure performance so as to ensure that the process is accurate and fair.

V. **Approved Regulatory Flexibility**

V.1 In relation to budget management
V.2 In relation to personnel management
V.3 In relation to the procurement process
V.4 In relation to other common/necessary services (i.e “support services”) required by the Regional Government.

VI. **Agreed Special Requirements**

VI.1 From the Regional Government/Regional Head standpoint (e.g.: if UFW is not lowered then it would not loosen the regulation on personnel)
VI.2 From a SDO / agency/company standpoint (e.g.: Company is not asked to provide sudden contribution that is not linked with achievement of the company objectives, e.g. to finance PON (National Sport Week) activities).

VII. **Special expectation by Regional Government/Regional Head:**

(clarify any matters that is hard to measure yet need to be clarified, e.g. if the Board of Directors is requested by “authorities” to make a certain politically motivated contribution, then the request should be directly informed to the Regional Head).

VIII. **Accountability Regional Government/Regional Head:**

VIII.1 Who in the “steering organization” can be regularly met with to clarify direction, ascertain performance and or discuss issues?

[5 See Attachment B]
VIII.2 Explanation regarding a condition, in which Regional Government/Regional Head could intervene in the management of the organization (e.g.: during emergencies, or when the head is required by higher authorities to take certain actions).

IX. Consequences
IX.1 From a financial standpoint (e.g.: formula to calculate bonus if KPI targets are achieved – eg 20% if 80% of targets are achieved).
IX.2 From a customer point of view; what happens if a service to the community is not according to standard as established by KPI or not according to the stipulation of laws and regulations?
IX.3 From another perspective (adding or reducing flexibility in the PFA)

X. Validity Period of the Flexible Performance Agreement
X.1 3 to 5 years: (Ideally, long enough for Top Management / Board of Directors to have enough time to make careful changes in resource-provision and business processes).
X.2 Period between reviews and adjusting the KPI targets (adjustments are only made if necessary, in order for the SDO/Board not to be confused by changes)

XI. Procedure for FPA Amendment
(Anytime based on the both parties' agreement)

Approved by
Regional Head
On behalf of District Regional Government of Sukamadju
Date:

Approved by
Chief Director
On behalf of Board of Directors of Drinking Water Regional Enterprise of Sukamadju District
Date:
Attachment A   Example of Part IV of FPA: (Expected Outcome)

(Part IV.1: Key Performance Indicator for the level of Service Delivery Organization/Agency)

<table>
<thead>
<tr>
<th>Dominant Aspect and Indicator</th>
<th>Your Result 2006</th>
<th>Your Target 2008</th>
<th>Your Weight 2008</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I  Financial Aspect</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P1 Ratio for Return of Operation Cost</td>
<td>% 222%</td>
<td>228%</td>
<td></td>
</tr>
<tr>
<td>P2 Ratio of Ability to Pay Debt that...</td>
<td>% 201%</td>
<td>201%</td>
<td></td>
</tr>
<tr>
<td>P3 Ratio to Pay for Short Term Loan</td>
<td>% 291%</td>
<td>273%</td>
<td></td>
</tr>
<tr>
<td>P4 Rate Adjustment</td>
<td>% 126%</td>
<td>128%</td>
<td></td>
</tr>
<tr>
<td><strong>II Customer Aspect</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P5 Customer Satisfaction Index</td>
<td>- 1 5,0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P6 Number of Served Residents (Scope) in</td>
<td>% 53%</td>
<td>61%</td>
<td></td>
</tr>
<tr>
<td><strong>III Operational Aspect</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P7 Level of Loss of Water</td>
<td>% 30.90%</td>
<td>29.00%</td>
<td></td>
</tr>
<tr>
<td>P8 Water Quality Index</td>
<td>- 7.2 9</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P9 Water flow Continuity Hours/day</td>
<td>10.3</td>
<td>12.9</td>
<td></td>
</tr>
<tr>
<td><strong>IV HR, Information and Supplier Aspect</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P10 Employee Satisfaction Index</td>
<td>- 4.9</td>
<td>5,0</td>
<td></td>
</tr>
</tbody>
</table>
**Attachment B  Some Flexibilities in Regulations that can be Considered**

<table>
<thead>
<tr>
<th>Part V.1: Related to Financial/Budget Management (PP 58/2005 and Regulation of Minister of Home Affairs or Permendagri No.13/2006 or BLUD / BUMD version)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Internal distribution of “savings” so as to create new efficiencies in operational cost (“gain sharing”)</td>
</tr>
<tr>
<td>2. Internal distribution of “additional earnings” so as to make encourage increases in the company's income (“gain sharing”)</td>
</tr>
<tr>
<td>3. &quot;Lump sum&quot; budget per division/organization section, not a specified budget for division</td>
</tr>
<tr>
<td>4. &quot;Lump-sum&quot; budget to be easily reallocated among budget items</td>
</tr>
<tr>
<td>5. &quot;Guaranteed&quot; borrowing facility from central sources against guaranteed &quot;income&quot; to be collected next year</td>
</tr>
<tr>
<td>6. &quot;Guaranteed&quot; facility from central sources without collateral to be used for investments and new breakthroughs in productivity</td>
</tr>
<tr>
<td>Part V.2: Related to Personnel Management (Law No. 43/1999, related Government Regulations or PP and other for BLUD and BUMD versions)</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>1. Simplifying classifications</td>
</tr>
<tr>
<td>2. Simplifying remuneration system</td>
</tr>
<tr>
<td>3. Authority over the process of seeking, selecting and terminating working relationship of personnel without the intervention of Regional Government/Regional Head/BKD;</td>
</tr>
<tr>
<td>4. Authority to lease (outsource) personnel;</td>
</tr>
<tr>
<td>5. Authority over the structural design of enterprise personnel management, action on those who lack discipline or identified as lacking in performance; all actions except for work termination;</td>
</tr>
<tr>
<td>6. Authority over the design of disputes and grievances settlement process;</td>
</tr>
</tbody>
</table>
7. Special remuneration mechanism: lump-sum, performance bonus, “golden-hand-shake; functional allowance, successful team allowance, etc.

8. Authority over the design of individual performance assessment system and providing "rewards and punishment";

9. Authority and finance to pay for individual performance bonus;

10. Authority to design and undertake "gain sharing";

11. Flexibility to outsource personnel, use agencies/outsourcing;

12. Authority over the decision and cost to build employee's capacity without having to follow regulations or services by Regional Government's Diklat or Education and Training.

13. Authority over "retraining personnel" and using it for other internal positions;

14. Free from directions controlling the minimum or maximum number of employees/personnel.

<table>
<thead>
<tr>
<th>Part V.3: In Relation to Procurement Process (Presidential Decree or Keppres No. 80/2003 or BUMD version)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Authority for the unit manager to make direct purchase (using credit cards)</td>
</tr>
<tr>
<td>2. Reduce the use of &quot;special specification&quot;; buy commercial products only</td>
</tr>
<tr>
<td>3. To loosen the budget ceiling in order to be able purchase directly without complicated processes;</td>
</tr>
<tr>
<td>4. Simplifying the auction process (electronic, etc.), including &quot;authorization thresholds&quot;</td>
</tr>
<tr>
<td>5. Process of complaint management of auction participants: simplified</td>
</tr>
<tr>
<td>6. Change the &quot;low-price&quot; approach to the &quot;best value&quot; approach (namely life–cycle costing)</td>
</tr>
<tr>
<td>7. Use more &quot;pre-qualification&quot; approaches and afterwards &quot;limited auction&quot;</td>
</tr>
<tr>
<td>8. Selection, which emphasizes more on &quot;performance first&quot; criteria;</td>
</tr>
<tr>
<td>9. &quot;Framework&quot; contract and multi-year contracts;</td>
</tr>
</tbody>
</table>
### Part V.4: In Relation to other common/necessary internal “Support Services” by the Regional Government

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Flexible regulation regarding trips and reimbursement;</td>
</tr>
<tr>
<td>2.</td>
<td>Freedom from regulations that force organizations to use buildings and other assets owned by the Government; managing facilities by contractor; using &quot;lease&quot; or facilities that are not state assets;</td>
</tr>
<tr>
<td>3.</td>
<td>Freedom to purchase general services from the best sources (e.g. travel services, photocopy, printing, selection of buildings and assets) and financial control to pay for such services (not paid by &quot;central&quot;);</td>
</tr>
<tr>
<td>4.</td>
<td>Authority to enter into &quot;service agreements&quot; as to provide necessary internal support service by Regional Government.</td>
</tr>
<tr>
<td>5.</td>
<td></td>
</tr>
</tbody>
</table>
Element 2
Covering the Cost of Service Delivery

Contents

Background and Objectives ..................................................................................................................1
Alternative Mechanisms Arising from the Element ..............................................................2
  A. User-pay mechanisms ..............................................................................................................2
  B. Public service obligation (PSO) payments .........................................................................2
  C. Public funding (public budget allocation) mechanisms ......................................................2
  D. Equity financing ..................................................................................................................2
  E. Debt financing ...................................................................................................................2
  F. Unsecured Borrowing .........................................................................................................2
Tools for Implementing the Alternative Mechanisms .............................................................2
Connection to other Elements .......................................................................................................4
Advantages .......................................................................................................................................5
Disadvantages ..................................................................................................................................5
Special Note ......................................................................................................................................6

APPENDIX 2 ...................................................................................................... Example of a Financial Projection 7
Element 2
Covering the Cost of Service Delivery

Background and Objectives

Delivering services incurs costs that must be paid for, or covered, from one source or another. Most often, the higher the standard of service, the more money is needed to pay for its delivery. Some person or organization must pay those costs. Conversely, if there are insufficient funds to pay for the standard desired, the actual service must be less than desired.

Whatever the service, the benefits, broadly defined, should exceed the costs, and that ratio should be larger than for lesser priority services. Some services require large investments (costs) to create physical assets / infrastructure (e.g. water supply, roads, irrigation, school education) before they can even be operated to realize benefits. Other services require investment to create non-physical assets (i.e. say human assets). Certain services (say those associated with permitting) require little infrastructure but nevertheless still incur operational expenditures (i.e. costs) and are supported by prior expenditures (investments) in human resources.

The amount of funding needed of course depends on how efficient is the expenditure. The more efficient the service delivery, the less the funding needed. Alternatively, the more efficient the service delivery, the more funds can be generated internally for funding operational or capital expenditures.

Closely related to these efficiency considerations is that of ensuring equality or fairness in the distribution of the benefits and costs of the service. The distribution of the benefits and costs should be perceived by the customer and the stakeholders as fair, not only at the time of service delivery, but into the future.

Finally with respect to funding, is the issue of whether the funding mechanism provides incentives to the service deliverer to improve quality and efficiency, or whether is breeds complacency and a tendency to take unnecessary risks with the tax-payer’s money (i.e. whether it introduces “moral hazard”). Generally, the authority to collect revenue should be assign to the agency assigned the responsibility of providing the service.

Therefore, sustained delivery of services that are of high priority requires mechanisms of funding that have the following characteristics (i) provides sufficient funds to cover the real cost of the service (ii) are sustained over the period of delivery (years) and (iii) do not fluctuate excessively from year to year. Further, as most stakeholders of any service are always concerned with the service not costing any more than absolutely necessary, reducing expenditure (or at least being more efficient) is always a characteristic driver of the search for alternative mechanisms of service delivery. In fact it is often the key driver of the search. Finally, the distribution of costs and benefits need to be perceived as fair.

If funding is insufficient and does fluctuate, planners and managers will have difficulty providing the infrastructure needed for service delivery, let alone the actual production (operation) of the service. And if it is perceived as inefficient and inequitable, key stakeholders (like legislators) may withdraw funding.
Alternative Mechanisms Arising from the Element

A. User-pay mechanisms
User-pay mechanisms typically enable the service provider to collect payment directly from the user/beneficiary.

B. Public service obligation (PSO) payments
PSO from government to the service provider to cover the cost of that portion of the service the user is unwilling or unable to pay

C. Public funding (public budget allocation) mechanisms
Typically the user pays indirectly through general taxation - or perhaps special charges – retribusi - levied by the government.

D. Equity financing
Investments / injections (“shares”) in the service deliverer from government and private sector, most often without being related directly to performance.

E. Debt financing
Funding by loans from various financial institutions (debt financing) with the pledging of assets, securitization of cash flow or other mechanisms of guaranteeing (securing) repayment of the debt.

F. Unsecured Borrowing
Using bonds (obligasi) etc that have limited or no recourse i.e. that do not use specific guarantees.

Tools for Implementing the Alternative Mechanisms

A. User-pay mechanism: The most reliable source of funding is from the user of the service. Wherever possible, the user of the service should pay for it – one reason being that Government budgets voted for annually by politicians can change rapidly as political priorities change, and so affect the service. On the other hand, users tend to always be prepared to pay for their service. Generally, so-called “private goods” (those which can only be consumed by one person – say drinking water) should be “user-pay” (otherwise known as “cost recovering”) while “public goods” (those service for which a range of consumers cannot be excluded from enjoying its consumption – say the environment or most roads) should be funded through normal government budgets. Key tools include:

- **Cost recovery tariffs**: based on some units of service delivery – say cubic meters of clean water delivered;
- **Service Charges**: (for example as set by the government for waste management services).

B. Public Service Obligation (PSO) mechanism: subsidies paid to the community (organizations or individuals) or service deliverer for services that select users are unwilling and (especially) unable to pay for. It is a scheme for topping-up a cost-recovery payment
scheme that not only acknowledges the obligation of government to provide basic services but also avoids the performance-sapping “cross-subsidy” mechanism of financing service delivery. Tools and principles in the mechanism include:

- **The autonomy-accountability trade:** the more autonomous the service deliver, generally the better the performance, so long as accountability is maintained. The prime means of providing autonomy is implementing the user-pay principle. But often the full cost cannot be covered by the user. Rather than insist on internal cross subsidies, the government pays for those services it deems the user cannot afford.

- **“Arms-length” relationship:** PSOs are a form of contract that places the relationship between the service deliverer and the government on a more contractual footing, or at “arms-length”.

- **Avoid “moral hazard”;** Subsidies with performance conditions creates lazy service deliverers and distort incentives to be efficient. They tend to take risks and not respond to customer needs. PSOs improve the incentives of SDs and managers to be more efficient, provided ways are designed into the PSO to pay for the services in a manner which links achievement of service standards to payment.

- **Result-based management:** PSOs help SDs by ensuring full cost recovery and therefore ensuring their incentives and the accompanying rewards are affordable to the SD. It helps government by directing public funds to results rather than paying for inputs with uncertain results.

- **Inputs, Processes or Output:** A PSO can (although not ideally) also be an input (labor, local purchases, etc) required by government to meet their own objectives which the SD would not otherwise provide (e.g. a labor support scheme like “Padat karya”, or “domestic preference” in procurement rules)

- **Available to public or private provider:** PSOs should be available to private providers also – what is important is the obligation is fulfilled most efficiently – not whether it is provided by a public or private provider.

- **In summary: payment to help achieve government objectives:** In setting up a PSO framework and mechanism, the PSO is directly related to outputs and outcomes that government desire in their strategic plans, are specified in explicit terms and are administered with a high degree of transparency. The objectives should thus be achieved of ensuring:
  
  - government services are provided that are consistent with government objectives
  - delivering services efficiently with a results focus
  - the various roles of government do not come into conflict; and
  - improved accountability.

C. **Public funding (public budget allocation) mechanism:** The “traditional” way of funding public services – by the legislators voting allocations to the various activities of their government. The variations come in the form and source, e.g.:

- **Direct “votes” from the local legislative body (DPRD):** Allocations for programs often made for just one year. Ideally for longer and on a performance basis – i.e. payment for results, but most frequently not so. Funds generally come from the “general” revenue account, which may be money from grants (DAU or revenue sharing schemes – Bagi hasil or the petrol tax, are examples) or funds raised locally (PAD) through various local taxes.
• **Special Purpose Grants (“unconditional or “conditional”):** from a higher level of government – such as DAK” “Dekon” and “Tugas Pembantu” funds in Indonesia.

D. **Equity investments (“shares”) schemes:** The establishment of the capital of an autonomous SD, funding is called and equity investment or “shares”. Approaches include:

- **Government as sole shareholder:** Typical situation with BUMDs now – e.g. PDAMs. In effect there is just one share, which is owned by the government. UU 5/1962 regulated this arrangement.

- **Government as one of a number of shareholders:** A “joint stock” company in which shares can also be owned by other parties – governments or third parties. UU 19/2003 on state owned enterprises regulates these arrangements at national level, but there is not yet an equivalent law for regional enterprises, so they are approved on a case-by-case basis.

E. **Debt financing:** A financial institution or individual makes a loan that can have a variety of conditions, including on how it will be repaid and the consequences if it is not. Some of the main approaches include:

- **Re-course lending:** The loan is secured by a guarantee provided by the “owners”. This is not however the typical situation with BUMD and Pemda – see below.

- **Non-recourse:** The lender takes an interest in the “project vehicles”. For example, if the SD fails to repay, the lender for a PDAM might have priority access to the revenue generated by water sales. The extreme form of this is probably money lent under the Ministry of Finances RDA account, where there is not real “come-back” if PEMDA or PDAM fail to repay the loan. Minister of Finance regulations 120 and 128 of 2008 absolving certain Pemda of past debt obligations are examples of Indonesian rules related to this mechanism.

**Connection to other Elements**

Covering the cost of service delivery is a vital element for sustainable alternative service delivery, especially in Indonesia where many service delivery problems can be traced to lack of resources. It is contended most services are grossly under-funded. Sufficient maintenance is rarely undertaken for lack of funding, and capital investment is grossly lacking.

1. Proper resourcing enables the policies and strategies of Element 1 (clarity of objectives) to be implemented. Remember: planning without implementation is a day-dream (and implementation with planning is a nightmare!)

2. Cost recovery is a very important aspect of Element 3 (consequences). Other funding mechanisms (including the PSO one, if not well designed) do not impose the discipline of the “hard-budget” constraint of cost recovery;

3. User -pay and PSO schemes put the customer (Element 4) in the driving seat. They improve the customer “voice” because SDs begin to appreciate who pays their bills.
4. The autonomy / empowerment of the SD sought in Element 5 include “financial autonomy”. The user-pay principle provides real autonomy from executive and legislative interference. This autonomy of course may scare the executive and legislative branches of government because it may enable control to be shifted to the SD and associated supporters.

5. Commercializing a service (recovering costs) improve the understanding of sector structure (unbundling/ bundling etc) of Element 7. As the whole production chain begin to price their services, problem areas become apparent and each production site can be held accountable for their product / service quality. It enables specialization and helps coordinate all the production activities that as a whole go together to deliver a service.

6. Cost recovery is probably essential for involving the private sector (Element 8) on a sustainable basis. And community empowerment can enable “co-production”, which shift costs directly to the community.

Advantages

(particularly of cost recovery / PSO mechanisms)

1. Full cost recovery (FCR) removes dependency on fickle budget allocations.
2. FCR and Public Service Obligation (PSO) mechanisms makes the SD responsive to customer needs, especially if the customer can change supplier.
3. Forces legislators to consider spending priorities and take decisions for which they are especially suited for (i.e. decisions with a large “social values” aspect)
4. FCR frees-up public funds for services for which individuals are less willing to pay for (typically true public goods)
5. Frees the government’s to concentrate more on developing policy objectives and directions.
6. Improves transparency and, with appropriate competition or regulation, SD accountability.
7. Removes the ability of politically driven policy-makers to interfere in management / operation matters for which they are not competent.
8. Allows specialization of government’s functions and development of a market.
9. The competition of the market often leads to a greater choice of Service Deliverers (SDs) as they compete to enter or grow their share of market.

Disadvantages

1. There are a number of critical success factors to introducing and operating cost-recovery and the PSO mechanisms of transparent subsidy that can be difficult to guarantee or control:
   o Presence of good accounting and costing systems to ensure SD managers are aware of the cost of providing the range of services their local governments oblige them to provide;
Effective cost accounting systems – particularly one that captures all costs and assignments them to particular services (which the current Indonesian system regulated under Permendagri 13/2006 as amended fails to do)

Simultaneous corporatization to give the SD managers the incentives to establish these information systems;

An understanding at the political level of the problems of cross-subsidization and a willingness to reduce them;

Transparency in the definition and packaging of the PSO, moving funding to outputs rather than inputs and fully disclosing the amounts of payments and results achieved.

2. The introduction of Public Service Obligations goes hand-in-hand with the introduction of commercialization and corporatization because PSOs are a mechanism for ensuring autonomy and accountability are retained without destroying the incentives of the SD agencies to be efficient, despite invariably have among their missions a social one. Achieving all this at once is a major challenge.

3. In situations where the majority of customers are poor, they may simply be unable to afford the payment (although this rationale should always be questioned in Indonesia – now formally classified as a middle income country).

4. Requires good information systems to assess the contribution to “performance” of the policy compared with the contribution of implementation.

5. May reduce the control of the executive and legislative branches of government over policy, i.e., the influence of government and the quality of governance.

6. Needs strong political support to counter the ideological arguments and protect the SD from becoming a cash-cow or “ATM”. Allowing SDs to account for and use revenue without being sure they can do it properly, and without appropriate independent checks, is unlikely to be better than traditional mechanisms.

**Special Note**

A fundamental competency of organizations involved in recovering costs is the ability to:

1. calculate revenues, costs (operational, capital expenditure and financing costs) associated with each service provided, and
2. projection them into the future.

Developing and utilizing these competencies has been greatly aided in the last 20 years by development costing methods – such as Activity Based Costing (ABC) – and of computer spreadsheets. A fundamental capacity needed in the service delivery sector are personnel in both the policy/regulatory field as well as SD organization with the ability to prepare a credible financial projection.

**Appendix 1** exhibits a typical summary of a financial projection model (in this case for private operator of a PDAM service).
### APPENDIX 2 Example of a Financial Projection

**CASHFLOW SUMMARY**

(Rp Million, current prices)

<table>
<thead>
<tr>
<th>Case: Concession ready Jan 1, 2002</th>
</tr>
</thead>
<tbody>
<tr>
<td>$</td>
</tr>
<tr>
<td>----------------------------------</td>
</tr>
<tr>
<td><strong>Volume Sold at Rate 1</strong></td>
</tr>
<tr>
<td>Lps</td>
</tr>
<tr>
<td>Rate 1</td>
</tr>
<tr>
<td><strong>Opening cash Jan 1</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Total Revenue - Rp Million (Rp M)</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Operating Costs</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Change in Working Capital</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Interest received in Cash Balance</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>VAT and other taxes</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Provision for VAT</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Investment Subsidy</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Capital expenditure for project service</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Interest Payable including withholding tax</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Loan Repayments</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Cash Available after Debt Service</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Minimum Dividends</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Cash After Minimum Dividends distribution</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Capital Expenditures</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Add Economic Salvage Value</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Cash After Distribution</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Funds from Investor</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>From Others</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Lease</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Funds in</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Cash after financing</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Legal Reserve</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Capital Expenditures</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Gross Dividends Awarded</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Investor</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Local</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>PDAM</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>Cash Balance end of year</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>% Debt</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
<tr>
<td><strong>% Equity Coverage Ratio (DSCR)</strong></td>
</tr>
<tr>
<td>Rp / M</td>
</tr>
</tbody>
</table>

**Investor Equity Funds (pure equity) paid in**

| Rp / M | 488,861 | 23,407 | 23,512 | 0 | 0 | 0 | 0 |
| **Investor income after withholding tax of 10% of gross dividend** |
| Rp / M | 6,644,657 | 0 | 134,946 | 93,282 | 148,603 | 201,266 |
| **Cash and Working Capital at end of Concession** |
| Rp / M | 498,974 | 0 | 0 | 0 | 0 | 0 | 0 |
| **IRR on Equity Funds - IRR E by end of year (Rp) nominal** |
| Rp / M | -23,407 | -23,512 | 134,946 | 93,282 | 148,603 | 201,266 |
| **Cashflow on equity for operation of 25 years** |
| Rp / M | 5,744,970 | -23,407 | -23,512 | 134,946 | 93,282 | 148,603 | 201,266 |
| **NPV at 20%** |
| Rp / M | -1,450,504 | 0 | 0 | 0 | 0 | 0 | 0 |
| **IRR on Equity Funds - IRR E - (Rp) nominal** |
| Rp / M | 19.3% | 0 | 0 | 0 | 0 | 0 | 0 |

**If cost treated as Shareholder Funds, additional paid in**

| Rp / M | 1,047,343 | 54,616 | 54,862 | 0 | 0 | 0 | 0 |
| **Shareholder additional income (principal and interest on shareholders loan) after withholding tax** |
| Rp / M | 1,003,129 | 202,332 | 193,068 | 140,261 | 78,363 | 39,647 | 8,206 |
| **Shareholder's net cash stream (Nominal Rp)** |
| Rp / M | 7,085,548 | 124,510 | 114,723 | 275,207 | 171,645 | 188,250 | 209,472 |
| **NPV at 20%** |
| Rp / M | -135,068 | 0 | 0 | 0 | 0 | 0 | 0 |
| **IRR on Shareholder Funds (Nominal Rp)** |
| Rp / M | 16.5% | 0 | 0 | 0 | 0 | 0 | 0 |
Element 3

Raise the Consequences (Rewards and Punishment)

Contents

Background ............................................................................................................................................1
Alternative Mechanisms ........................................................................................................................2
  A. Make service deliverers compete in the market – often called “enterprise management”....2
  B. Make service deliverers compete for the market – often called “managed competition”.....2
  C. “Performance management” (for whatever alternative is chosen, at both the organization and individual levels)...2
Tools for Implementing the Alternative Mechanisms .................................................................2
Connection to other Elements ........................................................................................................4
Advantages .............................................................................................................................................4
Disadvantages ........................................................................................................................................5
Element 3
Raise the Consequences (Rewards and Punishment)

Background

Core government (Setda, Bappeda etc) is a monopoly, as often are its service delivery organizations (Dinas / SKPD, BUMD etc). There are few rewards for performing exceptional work and few punishments for not performing. If there are no consequences, why exert the effort and change and take the risks that improving service delivery needs? Change involves some risks; civil servants are not rewarded for taking risks and face considerable “punishment” if the risk eventuates, no matter how good the intention.

The Consequences element of AMSD is a powerful antidote to this situation. It can be used for service delivery and compliance organizations as well as organizations with policy-making and regulatory missions.

However, rewards and punishments must be real to be effective. The more they can be avoided, the less their effectiveness (for example, DP3 personnel evaluations that everyone knows have no impact on promotion, or bonus’ being paid to all employees no matter their individual performance). The most unavoidable consequence for a person is to not have an income and to not have an organization (or enterprise) to provide that income, and even to lose one’s assets built over the years. This is the consequence that private sector participants face, so wherever possible, this Element suggests using “competition for the market” (with an appropriate safety net for employees) to provide rewards and punishment.

The market however is not a suitable mechanism for rewarding or punishing policy and regulatory organizations. And it is not appropriate even for some service delivery and compliance organizations if those service deliverers cannot ask payment for their services from the customer and therefore cannot be exposed to the discipline of the market - or charging the client compromises performance. Also, other SDs may face political or other resistance to operations in the market, so other “quasi-market” consequences are better applied.

Consequences however can still be increased by introducing “competition for the market”. Organizations, including those from the private sector, compete against one-another for the right to deliver services (including “back-office” i.e. support services). Where there is concern that the profit-motive of the private sector might impair performance of a critical service (e.g. public or national security, safety, due-process or privacy), public sector owned organizations can still compete.

Where competition is not appropriate or possible at all, modern “performance management” can provide rewards – financial and other – for good service. No matter what enterprise management system is used, performance management should be used anyway.
Alternative Mechanisms

A. Make service deliverers compete in the market (“enterprise management”)

B. Make service deliverers compete for the market (“managed competition”)

C. “Performance management” (for whatever alternative is chosen, at both the organization and individual levels).

Tools for Implementing the Alternative Mechanisms

A “contract” is the basic tool for all three mechanisms. Enterprise management forces the service deliverer to “contract with the customer” – no service, no payment. Managed competition forces potential service deliverers to compete among themselves for a contract. Performance management defines performance and the rewards and punishment in a contract. The tools for the three alternatives include:

A. Enterprise management: where service deliverers earn their budgets by selling services in the market; e.g.

- **Internal Enterprise Management**: make internal service providers like car-pools, printing, communications centres, building maintenance units, landscaping services, training functions etc act like enterprises and compete in the market or for the market to supply of services to “the main contractor”;

- **External Enterprise Management** (or “Fund”) in which the organization is given autonomy from the parent organization - e.g. in Indonesia UPT, BLUDs under PP23/2005 and BUMDs currently under Law 5/1962, or the “perumda” form contemplated under its replacement.

- **Corporatization** in which the government owned service deliverer is given a regulatory framework that falls under commercial law; ownership may be shared with the private sector and / or community and the managers focus especially on commercial goals; e.g. the limited liability BUMNs of national government under Law 19/2003, and the “Perseroda” form contemplated in the draft law on local enterprises to replace Law 5 / 1962.

B. Managed Competition: where service deliverers earn their budgets by winning a competition against one-another for government work. e.g.

- **Competitive benchmarking**: Compares routinely performance with similar public organizations based on a standard set of performance indicators. Results are published in “Performance Scorecards” and distributed to key stakeholders in order to raise transparency. Consequences result from psychological pressures originating from members pride and their natural desire to do well. More formal consequences can also be designed. An example is the PDAM Benchmarking System operated by PERPMASI

- **Competitive Bidding**: raises consequences and efficiency by forcing SDs to compete to deliver services that are paid for by the public money. It comes in three forms:

  a. **Public versus public competition**: Delivery of some services by the private sector is not an option for political or possibly conflict of interest reasons (would you
allow the policeman to be a private employee?). In these cases is still may be possible to increase competition however by selecting a service provider from a number of public SDs. Examples include the possible delivery of PDAMs services from a neighboring administration, such as provided by PDAM Tirtanadi Medan to surrounding Pemda.

b. **Public versus private competition:** Private SDs might be more efficient, but often it is not certain. As an interim measure the two types of organizations can be asked to compete. Bids are requested for services form both public and private organizations with public organizations being required to include all costs, including overheads such as administration and salaries. Keppres 80/2003 on public procurement and possibly Perpres 67/2005 on private sector cooperation probably regulate the private participant part of this mechanism, but there is no known policy to promote this mechanism or rules for how the public organization behaves. No known examples in Indonesia, although the PT SOR street cleaning service in DKI may be similar to this tool.

c. **Private versus private known as “contracting-out” / “outsourcing”**: This is likely to be the most effective mechanism. It assumes the decision to “make or buy” favors “buy”, which must be based on considering not only financial efficiency but also whether there will be (i) any impact on public-policy making (ii) a monopoly will remain in place (iii) if critical public-sector capacity will be lost or (iv) the presence of a private deliverer is just politically unacceptance. Keppres 80/2003 on public procurement and Perpres 67/2005 on private sector cooperation currently regulate this mechanism, with the Perpres ruling where significant responsibilities for financing, customer contact and asset management are given to the private sector. Within this there are a range of mechanisms from simple management contracts that provide low consequences through to concessions that result in “high powered” incentives.

C. **“Performance management”**

Whether or not specific consequences are designed through enterprise management or competitive bidding, organizations should at least use “performance management”. Organizations in which performance management is used (i) set standards and targets (ii) measure performance against those standards and targets (iii) reward good performance financially and “psychologically” and (iv) punish in some way poor performance.

Doing all this in a public sector organization however requires discipline and political will which is often difficult to gather, so this tool is not as effective as enterprise management or competitive bidding. The consequences of poor performance can often be too easily avoided. Tools include:

- **Setting agreed standards and targets**: as is happening with the SPM effort sunder PP65/2005 and NSPK under PP 38/2007
- **Negotiating targets against which performance will be assessed**:
- **Measuring performance**: for example as is planned under at the Pemda level for PP6/2008 on Pemda evaluation
- **Linking performance and rewards / punishments, by**:
a. **Performance awards (non-financial recognition) to employees**: (“employee of the month” approaches. No known examples in core agencies, although some PDAMs may be doing it, e.g. Sleman)

b. **Reward-in-kind (“psychic pay”)**: Extra paid leave, access to new equipment, access to special training, etc.

c. **Performance bonuses**: In addition to base pay. A “one-off” payment – preferably to a group/team.

d. **Gain-sharing**: allows the individual (preferably through teams) to share savings made through productivity gains in the organization – thus providing an individual incentive to improve productivity.

e. **Shared savings**: allows the organization unit to keep savings made through efficiency gains for future years or optional expenditures, thus encouraging organization-wide performance.

f. **Performance contracts with individuals**: Based on a firm “performance measurement” approach – typically with the top manager(s) the “President Director” of a BUMD for example - more specific than the “flexible performance agreement” between owner and his organization.

**Connection to other Elements**

Consequences multiply the effectiveness of most other elements:

1. Helps concentrate managers mind on their roles - policy-maker, regulator, service deliverer of compliance
2. Encourages self-funded service deliverers to become even more self-funding
3. Rewards linked to customer service increase focus of managers on customer satisfaction
4. Enables empowered organizations to manage their human resources better
5. Is a vital part of professional HRM;
6. Is important in incentivizing “unbundling / bundling structures; and
7. Is essential to attract and retain private sector service deliverers.

**Advantages**

1. Responds to a basic human psychological characteristic – to be rewarded for effort
2. Breaks the debilitating syndrome of “whatever the job, the same pay” that bureaucracies face (PGBS in Indonesian) – operationalizes “meritocracy”.
3. Enable incentives to e provides for roles where enterprise management and competition is not appropriate (generally policy-making and regulatory roles)
4. Create incentives to change bureaucratic culture
5. When teams / groups are rewarded, it provides incentives for cooperation
6. Saves money if strongly tied to efficiency gains.
Disadvantages

1. Can encourage “numbers magic” – you get what you target – and if that is wrong, you get the wrong performance
2. Technical difficulties in standards and target setting, performance measurement and negotiation in services where measurement is not easily performed – is cannot be observed
3. Can create a culture of fear and recrimination
4. May need excessively large rewards to exceed the current (“informal”) rewards
5. Political will needed to pay rewards in the face of public (often ideological) opposition, causing mistrust of managers
6. Asymmetries of information favoring operators causing mistrust with owners
7. Measurement and rewards are more difficult to design for policy, regulatory and compliance roles.
Element 4
Put the Customer “in driving seat”

Contents

Background ............................................................................................................................................1
Alternative Mechanisms ........................................................................................................................1
A. Give customers the power to choose their service deliverer (SD) .........................................1
B. Give customers the power to use public money to choose their preferred SD; or ...............1
C. Customer quality assurance: Establish systems that assure the quality of service to customers. ...........................................................................................................1
Tools for Implementing the Alternative Mechanisms .....................................................................1
Connection to other Elements ...........................................................................................................2
Advantages ........................................................................................................................................2
Disadvantages ..................................................................................................................................3
Element 4
Put the Customer “in driving seat”

Background

Government’s exist to provide services of various kinds to its “owners” – the community that the government represents. Understanding what the community desires and needs with respect to services should be a very important (core) competency present in any government aiming to improve service delivery. This element of AMSD aims to achieve this. Its objective is to empower the beneficiary of the service. The element makes Service Deliverers (SDs) accountable to the community.

“Customers” means also “stakeholders”, because stakeholders influence the mission and resourcing of SD organizations.

Alternative Mechanisms

A. Give customers the power to choose their service deliverer (SD)

B. Give customers the power to use public money to choose their preferred SD; or

C. Customer quality assurance: Establish systems that assure the quality of service to customers.

Tools for Implementing the Alternative Mechanisms

If the customer can in some way be given “power” – either by letting their money pay for services or giving them power to influence the decisions of the SD, the SD will pay more attention to customer needs. Alternatives are:

A. Customer Choice: Customer are given the power to choose from where services are sought; e.g.
   - school and health districts are not tightly prescribed;
   - inputs (eg water, materials, labor) can be purchased from alternative sources.

B. Competitive Customer Choice: introduces consequences for SDs. Public funds are given to people, who choose from where to purchase services. e.g.
   - Competitive public choice: Students choose school and government funds the school according the total number of students enrolled
   - Vouchers (conditional cash transfers) issued to students, who use them to pay the school of choice
   - Reimbursement program that pay the SD when a customer uses their services (e a poor household buys water form PDAM and not a vendor
   - Service quality information system for customers (e.g. publishing scorecards, league tables)
- **Brokers**: a government office locates a selection of SDs e.g. capacity development or job-training consultants, from whom the customer chooses, paying with own or state funds

C. **Customer Quality Assurance**: creates standards for customer service, guarantees, and redress for failures so that there are consequences for poor service; e.g.:

- **(Minimum) Service Standards**: say on quality, quantity, cost and timeliness of piped water delivery. e.g the efforts being developed under PP65/2005
- **Quality guarantees**: money back or restitution of damages – say PLN and household appliances.
- **Customer Councils / Boards**: ideally with some power. e.g. School Management Boards
- **Customer Service Agreements**: Set out the level of service and consequences for not achieving them – may be “specific per customer” – say for large consumers of raw water - or” general” (for general, see the next tool)
- **Customer Charter**: ( or “Piagam Masyarakat”) such as is being developed in Kota Yogyakarta for population administration services with the assistance of the Ford Foundation and UGM
- **Complaint systems**: makes SDs track and analyze complaints and learn from the analysis, and penalizes them for not doing so. e.g. system from Menpan or that form LGSP/USAID.
- **Customer Satisfaction Index**: As is being (re)-developed by Menpan
- **Certification / accreditation**: under recognized “organization / management excellence systems; e.g SNI /ISO 19:9000; TQM,

### Connection to other Elements

Empowering stakeholders creates a “driver” or “pressure” for improving service delivery. Good information of customer needs:

1. Helps both policy making and delivery organizations decide what should be the services standards
2. Encourages willingness to pay and sustainable funding
3. Helps the design of rewards and punishment, if they are linked to customer and other stakeholder satisfaction
4. Enables AMSD organizations to be controlled by setting “ends” targets while allowing them to use innovative means to achieve the ends
5. Brings out “the spirit of service” in employees
6. Enables concepts of internal and external customers to be operationalized; and
7. Brings to public sector the orientation of the private sector and community

### Advantages

1. Helps align politician objectives (a satisfied electorate) with community objectives (good service)
2. People who receive a service they want will be more satisfied and therefore may pay more and complain less.

3. A service delivery organization with a customer “focus” understand (i) the services the community as a whole desire and (ii) the various characteristics of the service.

4. Organizations that do not focus on the customer tend to not provide the service the community needs.

**Disadvantages**

1. Needs strong political support as it shifts power away from traditional sources.

2. Executive and managers cannot “do whatever they like” i.e. the public interest must be considered much more.

3. Systems and personnel in the public sector need to acquire new core competencies.

4. May allow “special interest groups” to capture more general public objectives.

5. Not equally applicable to all 3 basic functions of government (policy, delivery, compliance / regulatory).
Element 5
Empower Service Delivery Organizations and Employees (without losing control)

Contents

Background ............................................................................................................................................1
Alternative Mechanisms ......................................................................................................................1
   A. Organization Empowerment ....................................................................................................1
   B. Employee Empowerment .........................................................................................................1
Tools for Implementing the Alternative Mechanisms ........................................................................1
Connection to other Elements ...........................................................................................................4
Advantages .............................................................................................................................................4
Disadvantages ........................................................................................................................................4
Element 5

Empower Service Delivery Organizations and Employees (without losing control)

Background

Most organizations (and people) like to have autonomy over the way they do their job. What is important is the (agreed) results must be delivered. So it is with service delivery organizations (SDs). SD organizations have the most information about how to deliver services – what inputs of labor, technology, information etc are needed and what processes best produce the desired output. They should be allowed to manage, or made to manage.

But most organizations do not know what outputs, and especially outcomes, the community wants and needs and the overall parameters, such as acceptable budget, that the service must work in. If they are not accountable, their services will not satisfy community needs. They need guidance from the executive and legislative branches on these parameters.

Hence, SDs need to be given AUTONOMY but they need also to be made ACCOUNTABLE. No accountability, no autonomy. The core government established under Element 1 therefore should empower SDs and give control over management matters to SDs but not lose control of policy because of this empowerment.

In other words, control over inputs and processes by core agencies is given up for control over outputs and outcomes.

Alternative Mechanisms

A. Organization Empowerment

B. Employee Empowerment

Tools for Implementing the Alternative Mechanisms

A. Organization Empowerment: Control over management of input and process is moved to SDs while control overall is increased by specifying more clearly desired outcomes. In other words, the form of control is changed, and specifically the rules for Dinas’, UPTs, BLUDs, BUMDs and other organizations are changed, often made more “flexible” using, among others, the tools of:

- Reform of Administrative Systems affecting the Organization: Provide control through increased clarity in planning, budget and finances systems, personnel, procurement and auditing that make organizations accountable for results rather than just compliance – for example as is the intent of UU 17 / 2003 on state finances and to some extent PP 23 / 2005 on BLU financial management. Specific tools include:
  - Planning, budget and finance system:
    - Planning: Strategic, based on resources constraints and linked to budget
    - Incentives: for managing money better;
o *Increased flexibility:* such as via lump sum budgets, enterprise funds etc (see Element 1 and 3);

o *Using accounting / information systems:* to improve management (accrual accounting, activity based costing, full-cost accounting etc);

o *Improved direction:* performance based budgeting, MTEF, Citizen Reports (as per PP3/2007).

o **Development of Appropriate Organization(s) to Represent the Core of Government with BLUD, BUMD, private SDs**

  o Like all good masters, the owner will set clear objectives for their sub-ordinate, provide appropriate resources, not interfere in decisions on internal allocation of resources, but will insist on delivery of results, for which reward will be provided.

  o The core organizations(s) should be created which (1) are responsible for oversight of every agency (2) is not of holding company form – or if so, has a “sunset” clause (3) delegates as many operational tasks to private contractors or specialists (4) is not responsible for regulatory affairs, and (5) is not too closely associated with the “Treasury / Ministry of Finance” (to prevent the soft budget syndrome) and (5) ideally, consideration should be given to creating a “Board” with sector stakeholder representation. The membership would be dominated by end-user representatives, which means government representatives would be in the minority.

o **Corporate Governance Reform (Improve the Performance of Board (of Director’s))**

  o Contract managers: consider whether to empower the BOD, or just contract direct with managers (performance contracts or management contracts)

  o ensure the articles of association / company bye-laws provide competition and transparency in selection of members

  o give the board clear unambiguous objectives, certain duties which cannot be delegated, and the right to all information in the firm

  o use corporate plans, strategies and reporting to improve accountability

  o give the board adequate authority

  o ensure credibility by giving great attention to the community and private sector representation issue, and selection process

  o help boards organize themselves internally as well as providing TA and

  o provide adequate incentives but balance with accountability mechanisms of reporting and board member / director’s performance evaluation

o **Installation of Organizational Excellence Programs:**

  o ISO 9000 quality management System

  o Organizational Excellence (Baldrige, etc)

  o Six Sigma, lean “production” processes etc

  o Balanced Scorecard approach to strategic planning and management

o **Managerial Improvement Programs**

  o Improving the selection from existing stocks of managers

  o More effective evaluating performance and reward or penalizing accordingly

  o (re)-training managers; and

  o increasing the stock from which to select (the last two being classical HRD issues).

o **Personnel System of the SD:** Give managers operational control over this vital resource by:

  o *Incentives:* Using remuneration / compensation as a performance incentives
Alternative Mechanisms of Service Delivery (AMSD) Description – Element 5 – Empower Organizations & Employees

- **Flexibility:** Allowing managers flexibility in managing their personnel
- **Capacity:** Mainstreaming capacity development activities.
- **Procurement System:** More flexibility (rather than less) under procurement rules – Keppres 80/2003 as amended and Perpres 67 / 2005 being the main set – but also additional rules imposed by Pemda themselves.
- **Audit System of the SD:** Using audit to measure performance, encourage competition and disseminate better practices – rather than just auditing for compliance.

- **Site-based Management:** Moves select decisions from the often distant central headquarters to the site of service delivery; e.g. “school-based management” under the National Law on education, that places select authority with the school rather than the Dinas or Mendiknas.

- **Waiver Policies:** in which specific permission is given to change specific rules; e.g. as has long been the case for salaries for appointments to special boards / commissions. No known other specific examples, but the authority to create “special bodies” (kawasan khusus) like Batam under Law 32/2004 on regional government reflect this thinking.

- **Special Waivers:** Organizations are specifically protected from intervention. No known specific examples, but part of the proliferation of “badan”, “komisi” and other LPND since 1998 reflects this tool – i.e the creation of organizations that are not subject to the normal constraints that departments must comply with.

- **Opting-out:** Allowing existing or new organization to operate outside the existing jurisdiction. e.g. communities that wish to establish their own schools might be exempt from all the administrative rules on school administration that accompany normal public school.

- **Mass de-regulation:** Some administrations around the world have simply repealed en-masse regulations concerning planning, budgeting, procurement, reporting and auditing - and required specific application for re-instatements. Although the general trend is the other way in Indonesia, there is a large amount of regulations that have accumulated and which must one day be “taken off the books”, somehow.

**B. Employee Empowerment.** Organizations are comprised of individual people. Those employees need the flexibility, incentives and trust to use their own initiative to solve problems that obstruct better service delivery. Bureaucracy in SDs most often stifles that initiative. Some tools for empowering employees include:

- **Professionalize the HRM/D function:** Manage and develop human resources systematically form HRIS through retirement using acknowledged best practices.

- **De-layering Management:** Shorten the distance between managers and front line employees – increase or change the “span of control”

- **Break functional silos:** by organizing around policy objectives using teams of functional specialists

- **Labor partnerships:** work with Korpri and labor unions

- **Work teams:** Establishment of “Tim Gugas Tugas” etc

- **Employee suggestions programs:** Listen to what the front-line employees say
• *Employee perception surveys*: Understand what employees think about productivity and satisfaction.

**Connection to other Elements**

Empowered organizations and employees requires other elements to be effective (thus making the element one which is difficult to guarantee success):

1. Empowered organizations need clear objectives and roles – something Element 1 needs to deliver.
2. The autonomy-accountability trade required real consequences to be present – i.e. the effectiveness of Element 3.

**Advantages**

1. Allows new organizations to deliver what organizations and individuals which are bound by rules cannot.
2. Improves understanding of mission
3. Makes use of organizations forms to improve incentives
4. Responds to a basic human psychological characteristic – to be given autonomy over actions
5. Allows specialization
6. Allows merit to dominate over compliance.

**Disadvantages**

1. Autonomy without accountability can be worse than the slow methodical operation of classical bureaucracy.
2. Requires ability to measure performance
3. Requires the core government functions to “let-go” of authoritarian ways – not an easy task
4. Requires managers to let-go” in relation to employees
5. Requires trust (social capital), which is the fundamental deficiency in developing societies
6. Requires competent “governors”
7. Requires competent managers
8. Requires competent employees.
Element 6
Change Bureaucratic Culture

Contents

Background ............................................................................................................................................1
Alternative Mechanisms........................................................................................................................1
   A. Change Employee’s Habits ......................................................................................................1
   B. Change Employee’s Hearts ....................................................................................................1
   C. Change Employee’s Minds ....................................................................................................1
Tools for Implementing the Alternative Mechanisms .................................................................1
Connection to other Elements ....................................................................................................3
Advantages .............................................................................................................................................3
Disadvantages .........................................................................................................................................3
Element 6
Change Organizational Culture

Background

Excellence service is founded on each employee performing excellently. If employees are not present, competence, productive or satisfied with their work, their performance will not be excellent. This element is to change the bureaucratic paradigm of the individual. That paradigm is sustained by the organizational culture. A culture is needed in which individuals take personal responsibility for decisions within the organization.

This element, besides being aimed at raising the competence of all personnel in the organization, should address the knowledge, attitudes, skills and values of personnel in the “front-line” of service provision, so that the customer experience is excellent.

Individuals experience their work culture through their everyday experiences – which come to them by (i) the way things typically happen in the organization, or habits (ii) the emotional happenings and (iii) the cognitive or rational experiences.

Alternative Mechanisms

A. Change Employee’s Habits

People quickly fall into following routines in their work place. Just “the way things are done around here”, without thinking why and without much emotional attachment. Just based on their observations of their own experience and what fellow workers are doing. These habits form from “doing things”. If people do other things then habits begin to change. “Experiential learning” is a key way to change habits by promoting personal and professional growth of the individual.

B. Change Employee’s Hearts

Emotional change that focus on the interpersonal interaction and styles of working by creating a new “contract of employment” for the individual with the employer; and

C. Change Employee’s Minds

Change that focus on the cognitive understanding of individuals about why they are in their workplace.

Tools for Implementing the Alternative Mechanisms

A. Changing Habits: Much of what determines individual’s behavior in organizations is a result of what happens around them. If the norm is to wait for orders, not take considered risks or to mistreat customers – then even the best employees over time will adopt these practices. Changing habits attempts to change the bureaucratic mindset by giving employees new experiences, including:

- “Meet the customer” programs: Forces employees to understand the customer experience. Focus groups, conversations, rotations through front-line jobs
• Walking in the Customer Shoes: Programs that forces employees to endure the customer
• Job rotation: forces employees to appreciate the difficulties faced by others in the organization
• Externships and internships: Allows employees to work in other organizations for fixed periods or the organization to bring in external “specialists” for fixed period – typically 6 months to 2 years.
• Contests: Request employees compete to model the new behaviors – run, for example, “employee of the month” and “suggestion of the month” competitions.
• Large-scale real time strategic planning: Employees work with facilitators over a period of days to plan performance improvements – often using well proven methodologies such as “Search Conference”, the “Balanced Scorecard” or “Seven Habits”.
• Re-engineering the organization: Use of well established change processes to redesign the way work is performed. Ideally the re-design is done participatively.

B. Change hearts. Employees ultimately perform better when they feel as though their place of work and employee is part of the family: Emotional bonds are needed. Interpersonal interaction and styles of working with others are important:
• Leaders create symbols and stories: to become emotional touchstones that all employees feel and share
• Celebration of Success Events: for individuals, teams and the organization – both regular and special / ad-hoc
• Honor failures: by, for example, ensuring that audits focus on the learning of failure rather than criticism of the individual
• New rituals: Graduation and award ceremonies, meetings, speeches, home-coming events etc
• Bonding events: Experiential outdoor learning for teams, for example.
• Improve physical work environment: Simple invest in improving the “standard issue” aspects of it to show the employee cares about the employee.
• Re-design the work environment: to improve teamwork or whatever the values the employer wishes to promote.
• Invest in employees: “walk the talk” that the employee is the most valued resource the organization has. Spend up to 5% of the payroll on capacity development.
• Employee attitude surveys: regularly conduct, analyses, feedback results and act on them.

C. Change minds. Employees need to interact and ultimately perform better when they feel as though their place of work and employee is part of the family: Emotional bonds are needed. Interpersonal interaction and styles of working with others are important:
• Benchmarking performance: Compare with other organizations and share the results with employees and teams;
• Study groups and tours: As team they identify issues, peers and exchange processes.
• **Participative development of mission statements**: Develops a widely shared understanding of why people come to work each day.

• **Participative development of vision statements**: Develops a widely shared understanding among employees of how work (the values, beliefs, principles applied in performing the work) should be done.

• **Leaders using entrepreneurial language and sign**: Metaphors and analogies taken from the private sector, not machine bureaucracy or the military. Change titles, slogans, mottos, logos etc. Be explicit about the bad features of bureaucracy.

• **Train change agents**: People to carry the new culture.

• **New employee orientation programs**: Inculcate the entrepreneurial culture from day one.

• **Career planning interventions**: Help employees see the future.

**Connection to other Elements**

Bureaucratic culture tells employees what they should do, feel and think. This element therefore is needed to make most other elements effective in the long-term:

1. Innovative organizations and employees overcome the authoritarian culture of central agencies
2. Employees assume efficiency is a prime objective in resource decisions.
3. Employees understand and accept consequences
4. The culture shift required for customer focus is facilitated
5. Empowered organizations still need empowerment of employees by the managers. They come and go – culture changes much more slowly.

**Advantages**

1. Breaks down the “command and control” culture of bureaucracies and replaces with “professional and arms-length” relationships
2. Treats people like people in the organization – and not just cogs in the machine – thus encouraging productivity.
3. Reduces the defense mechanisms of bureaucrats - of buck-passing, ignorance and obsequious
4. Helps shifts leaders and managers focus from budgets, compliance and status to performance and the customer / stakeholder;
5. Brings all mind to the job – of identifying problems and solutions, and new way of working.

**Disadvantages**

1. Difficult to achieve in the short term
2. Requires the central bureaucracy to “let-go”
3. Obviates the benefits of bureaucracy – the approach that says that all should work to the same rules as a way of getting “the-rogues” under control
4. Very dependent on local cultural norms – perhaps bureaucracy and respect to seniors – nort innovation and risk - is ingrained
5. Requires trust (social capital), which is the fundamental deficiency in developing societies
6. Requires competent managers and especially some leadership
7. Requires competent human resource managers.
Element 7
Sector Structure

Contents

Background .............................................................................................................................................1
Alternative Mechanisms ........................................................................................................................1
A. Changing the assignment of government functions between levels. ........................................1
B. (Dis)aggregation horizontally (“horizontal (un)bundling”) of the value chain. .........................1
C. (Dis)aggregation vertically (“vertical (un)bundling”) of the value chain. .................................1
D. Cross-sectoral structure. ............................................................................................................1
E. Changing the competition rules (for the service market or in the service market). ...............1
Tools for Implementing the Alternative Mechanisms .......................................................................3
Connection to other Elements ........................................................................................................6
Advantages ........................................................................................................................................7
Disadvantages of unbundling of items vertically in the value chain, or horizontally: .....................7
Special Notes ...................................................................................................................................8
APPENDIX 7.1: Advantages and Disadvantages of Contracting Out .............................................9

Figures and Tables

Figure 1: Horizontal and vertical bundling / unbundling of a Service ...........................................2
Element 7
Sector Structure

Background

Element 7 concerns the issues of:

(i) which level of government is most appropriately assigned the authority to deliver the service?
(ii) the vertical, horizontal and cross-sector scope of the system the SD manages in delivering the service (often called “market structure”); and
(iii) what consequences will be introduced as a result of the market structure (typically a function of competition)?

It is therefore closely related to Element 1, Element 3 and Element 8. Element 1 aims for clarity in authority and accountability for key actors on the “core government” side of the sector by separating the basic functions of policy-maker, regulator, service deliverer, and compliance checker/enforcer. Element 3 concerns consequences, the best mechanism being competition. Element 8 aims to ensure other actors can deliver services - what is important is they are effective and efficient.

The fundamental question for government policy-makers is “why make something (a service) oneself if it can be bought from another source?”

Alternative Mechanisms

A. Changing the assignment of government functions between levels.
B. (Dis)aggregation horizontally (“horizontal (un)bundling”) of the value chain.
C. (Dis)aggregation vertically (“vertical (un)bundling”) of the value chain.
D. Cross-sectoral structure.
E. Changing the competition rules (for the service market or in the service market).

NB: Figure 1 illustrates the concepts underlying sector structure, using water supply as an example.
Figure 1: Horizontal and vertical bundling / unbundling of a Service

Horizontal bundling. Items across value chains are delivered by the same organizations.

Vertical bundling. Items in the value chain are delivered by the same organization.
Tools for Implementing the Alternative Mechanisms

A. **Changing the assignment of government functions:** shifts authority and accountability for services delivery between levels of government, mainly based on the principle of “subsidiarity” - i.e. services should be provided by the government at the lowest level (closest to the community) as possible. Service delivery of course is not the same as the functions of policy-maker, regulator or compliance checkers and therefore responsible supporting functions (often setting charges, monitoring performance) must also be clarified. The tool ultimately for effecting change is legislative – sectoral laws and regulations, PP 38/2007, and funding regulations. Although strictly not “tools”, the following criteria should be used when considering which government should be responsible:

- **Efficiency:** The assignment should encourage more efficient service delivery overall, through:
  - Economies of scale – the concept that the larger the through put, the lower the unit cost of production
  - Economies of scope – the concept that similar activities in the proximate area are better managed within one system
- **Spatial Externalities (or spillovers)** – positive or negative affects on surrounding jurisdictions
- **Accountability through the political system:** Proximity (geographic, communities of interest, quality of local representative democracy) of the local government to local residents (users of the service) influence whether local administration is trusted to provide the service.
- **Accountability to the customer, i.e. “consumer sovereignty”:** Voter (i.e. service user) preferences determining the level of service, argues for local authority over the service.
- **Administrative, technical and compliance capacity / costs:** centrally administered systems as compared with many dispersed administrators are generally considered to lower costs because of the ability to introduce scale and raised skills. Lack of capacity drives up costs.
- **Characteristic of the services:** Provision of a service with the characteristics of a private good should be a decision made by local government. Ability to measure performance. Standards may be set by the centre.
- **Equitable provision:** Select services / programs provided by higher level of government – with specific local involvement to account for local information – to ensure that fairness is maintained.
- **Preservation of the internal market.** (as required by the Indonesian Constitution?). Usually the authority of the centre to prevent “beggar-thy-neighbor” policies that restrict factor mobility.
- **Economic stability:** The central government is best placed to deliver, and is anyway primarily responsible (the central Bank is anyway) for monetary and fiscal policy, and for stabilization policies.
- **Assign support functions:** who regulates, monitors performance, ensures environmental and other compliance?
B. **Horizontal aggregation (“horizontal bundling”) or dis-aggregation (unbundling):** Should the service provision be managed on the current system boundaries (often co-terminous with administrative boundaries), expanded by cooperating some-way with neighboring systems or even jurisdictions, or reduced? Although strictly not “tools”, the following issues should be considered in determining the optimal horizontal structure:

- **Technical and environmental criteria:** Many service delivery problems require technological solutions – information and communications technology, sophisticated water and waste treatment, building roads in difficult environments etc. Horizontal aggregation allows higher technology to be introduced. Consider (i) configuration of existing networks (ii) possible costs to change (iii) the least cost technical solution to improve services should be considered and (iv) if competition for a common resource (say graduate teachers or a water source) is a problem, whether bundling helps resolve conflict.

- **Economic and financial criteria:** Depending upon the “cooperation” model used in the bundled service (ranging from informal through to total aggregation / amalgamation), the following impacts of re-structuring should be checked:
  - Do increased efficiencies arise from increased scale or scope – e.g. because the same fixed costs apply no matter the size of the customer base?
  - Does the increased system size enable more funding to be raised or make funding more reliable – say through internal cross subsidy?
  - Can fairness in distribution of costs and benefits be improved?
  - Will competitive forces – even if it is through the ability to benchmark - be increased?
  - Does the efficiency gain reduce as the size exceeds a certain point because management information and knowledge about customer needs becomes restricted?

- **Political voice and accountability through the political system:** (i.e. political proximity or the need for a collective choice mechanism): As per the question on assignment to level of government. Proximity (geographic, communities of interest?) of the local administration (or the control arrangement) to local residents (users of the service) influences whether local administration is trusted to provide the service. Customers need a collective way to decide on key issues related to the price/quality mix. Using administrative boundaries can give a democratic voice to customers. If technical considerations suggest an even larger service area (system), a range of models for cooperative governance can be considered (see PP 50 / 2007 on regional cooperation and subsidiary legislation). These models range from those with few implication for autonomy through to those with high impact on autonomy.

- **Administrative burden and transaction costs:** Again, as per the question on assignment to level of government. Changed arrangements inevitably has an impact on administration and incurs costs (transaction costs) to make the change. The following should be considered:
  - Will the administrative arrangements for the bundling or unbundling interrupt or overburden current administrative structures, procedure or routines?
  - Can “special autonomy” regulations be invoked to ensure increased flexibility / autonomy in the administrative / governance arrangements of the new arrangement?
  - What transaction costs will be incurred if assets, liabilities and personnel must be transferred to another entity?
o What transaction costs will be incurred in the case of unbundling of involving the physical separation of the service delivery system?

- **Legal and regulatory criteria:** Although design and implementing alternative service delivery assumes changes will be made if needed in time in the legal framework, in the end promoters of AMSD must work in a manner which is currently legal. PP 50 / 2007 on cooperation for example must be respected. The following should be considered:
  o Will the changed structure involve changed governance and administrative arrangements that may require time and resources to effect?
  o Can the benefits of the new set of assets be mobilized and risks reduced? For example, can the assets be used as security, land procured for public purposes or is it legal to for the new entity to impose user charges.

C. **Vertical aggregation (“vertical bundling”) or dis-aggregation (unbundling):** Vertical structure relates to the production process (“value chain”) from input of the factors of production through to final delivery of the service and even management of the impact of the service. It concerns interaction of the providers at the different levels on the value chain.

Although strictly not “tools”, the following issues should be considered to determine the optimal vertical structure:

- **Efficiencies through scale and scope:** Can they be captured?
- **Costs of transition:** Changes of any types have costs. The reasons for change therefore need to be very clear.
- **Degree of cooperation to ensure quality of product:** How will a poor quality input somewhere along the value chain be overcome? Can a contract achieve quality more than “command and control” in a single organization?
- **Coordination in planning and investment:** Can plans and least cost investments be coordinated outside a single organization?
- **Cost of transaction:** Will the cost of specifying, bidding, negotiating and awarding contracts for delivery of inputs be reasonable?
- **Risk of payment:** Will suppliers be less willing to operate in a market where they may not get paid? Can the risk of a “break” in the value chain be overcome?
- **Contested resources:** Does the change reduce the possibility of lack of access to scare resources and disputes for those contested resources?
- **Decentralization:** Does the arrangement promote or hinder the overall policy of decentralization?

D. **Cross-sector structure:** The same ownership, single management or other affiliations of SDs in more than one sector – say putting public health, education and public information services under one Dinas – or the “one-stop-shop” for permitting. Or contracting the same private operate to provide water supply, sanitation and solid waste management services:
• **Efficiencies through scope:** Use of on billing system for two services, as an example.

• **Risk of payment:** Reducing risk of payment for one service as a lever to effect payment for the other; e.g. cut off the electricity service if the water service bill is not paid.

• **Financial sustainability:** by being able to use one more profitable service (eg public hospitals) to cross-subsidize another – say public health.

• **Transparency:** can cost allocations and tariff setting procedures really distinguish the source of costs – for example form overheads?

• **Competitive distortions:** Will the service deliverer use one service in some disadvantageous way to support the other(s).

• **Management focus:** Can the team focus on all services. Can the size of the SD attract competent managers?

E. **Competition rules:** Once services become more commercialized, organizations will become interested in providing them because of the profit motive. Based on the rules (regulations) when the new bundled / unbundled structure is established, the market structure is likely to evolve, depending upon whether the rules allow (i) existing SDs to merge or separate (ii) the ownership to change (iii) a monopoly is created by exclusivity rules and (iv) competitive entry by other SDs is allowed. Mechanism have been describe in detail in Element 3 – consequences, to recap:

• **Competition for the market (managed competition):** Bidding for supply form SDs, and re-bidding (Perpres 67/2005 covers this).

• **Competition in the market (enterprise management):** Many service that require large investments and become cheaper and more valuable the more the network expands, can be set-up as (natural) monopolies. Care is needed however to not exclude alternative providers who offer a different “price-quality” package, as monopolies have a very strong tendency to limit service delivery, not expand it. Most network services in Indonesia are monopolies established under sector laws – perhaps only wireless telecommunications is not.

**Connection to other Elements**

Sector structure is very closely related to Element 1 (clarity of roles), Element 3 (consequences) Element 5 (control) and Element 8 (empowerment of the private sector and community. Links include:

1. Sector restructuring is often the “service deliverer” side of reform in Element 1. Changing the core of government under element 1 need to be linked to change in deliverer incentives. Element 1 changes therefore need combining with changes in Element 7 and Element 3.
2. Conversely, Element 7 changes also must be accompanied by changes under Element 1.
3. Sector re-structuring allows parts of the value chain to be commercialized (Element 2).
4. Customer voice (Element 4) is increased as stakeholders in unbundled items gain voice

5. Organizations and personnel are empowered as the mission is simplified, accountability raised through more transparency and incentives better designed because confounding factors are reduced (e.g. poor service being blamed on another part of the value chain, yet there being no specification of the standard to which that supposedly weak item is to be supplied.

6. Clarity in sector structure is a precondition to successful participation of the private sector under Element 8.

7. Clarity in sector structure also empowers the community

**Advantages**

Advantages of unbundled services:

1. Overcoming possible inequitable sharing of the benefits, costs and risks. For example, cooperation in provision of a transport terminal may result in the party hosting the site bearing the environmental cost but not benefiting from the use of the terminal.

2. The parties may gain some autonomy and control over delivery of the service in its jurisdiction. For example, collaboration in delivery of technical and vocational education may not deliver the type of training one party needs.

3. The unbundling process has the potential to delay service improvements until all parties are ready to participate. For example, one kabupaten holding out on an arrangement to cooperate in a by-pass road.

4. There exists the potential to reduce the lack of customer responsiveness under a bigger scheme. For example, the operator’s head office/administrative heart is far from a particular community.

5. Overcoming the possible loss of flexibility and delay in remittance of funds (profits) to the owners. For example, distribution of dividends from various jurisdictions over collaboration in an abattoir must wait to the following year.

6. Reduces risk of supply interruption. Having “gone out of the business” in a case where the service is bundled with a neighbour, one local government may not be able to “get back in” at reasonable cost if the “cooperation” fails. For example, development of a regional solid waste disposal site can take at least 5 years, and be very expensive.

**Disadvantages of unbundling of items vertically in the value chain, or horizontally:**

1. Possible loss of “economies of scale” due to technology. For example, treatment of hazardous waste (including sewage) on a large scale will be cheaper than small scale. Also when systems are integrated along previous boundaries.

2. Possible loss of “economies of scope”, or potential for improved service because of “complementarity of assets”, or “synergy”. For example, one has the market (say a city with its population unserved by piped water, the other the product or vital input (say a nearby kabupaten with abundant water resources). By working together both benefit. Similar arguments apply to acquisition of technical and managerial expertise.
3. Possible loss of “administrative efficiency”. For example, there is no need for multiple overheads of offices, directors and staff functions (as opposed to line) if a hospital was jointly developed.

4. Possible loss of uniformity of service quality. For example, cooperating spatial planners may decide that development should focus on the current city jurisdiction while the environment of the surrounding kabupaten should be retained by directing infrastructure services only to the city area.

5. Increased and inappropriate political and owner intervention because of the “distance” and participation of other owners. For example, larger services may discourage the officers of one jurisdiction from rent seeking because of fear of loosing reputation in the eyes of their colleagues in the collaborating jurisdiction.

6. Loss of access to finance. Perhaps as a result of the bundling, as a whole, participating in delivery of the service may become attractive to investors, whereas if delivered as separate “projects”, investment in the sector becomes inefficient / unattractive because of the inability to achieve economies of scale and scope, lack of clear link between effort and reward, and politics.

Special Notes

The analysis of sector structure can require considerable expertise in economic and financial analysis in the particular sector. However certain generic pros and cons exist for unbundling and the accompanying “contractualization” of relationships and are related to the classic economic question of “make or buy”. These pros and cons are set-out in Attachment 7.1.
APPENDIX 7.1: Advantages and Disadvantages of Contracting Out

Advantages / benefits of unbundling and contractualization:

<table>
<thead>
<tr>
<th>Benefit</th>
<th>Description of benefit</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialization</td>
<td>Concentrating on those items in the value chain the organization has distinctive capability</td>
<td>Specialization yields economic efficiency overall if each organization is relatively more efficient than others at performing the item. Specialization also facilitates exploitation of scale.</td>
</tr>
<tr>
<td>Market discipline</td>
<td>Makes use of the condition in which the purchaser of an input is separated from the provider and a formal transaction happens under contract.</td>
<td>Market discipline results in a number of benefits – focus on the outputs, not inputs, contestability between suppliers, choice for purchasers and innovative work practices.</td>
</tr>
<tr>
<td>Flexibility</td>
<td>Ability to adjust scale and scope of services at low cost and quickly</td>
<td>A network of small producers in the value chain can adjust more quickly to changes in demand compared with large integrated organizations.</td>
</tr>
<tr>
<td>Cost savings</td>
<td>Lower cost of inputs compared to in-house production because specialization and competition can be mobilized</td>
<td>Overall savings of up to 20%. Specialization and competition do not necessarily lead to lower quality.</td>
</tr>
</tbody>
</table>

Disadvantages / Costs (claimed) for unbundling and contractualization

<table>
<thead>
<tr>
<th>Disadvantage</th>
<th>Description of Disadvantages</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coordination</td>
<td>As different items on the value chain are produced by different organizations, coordinated investment and production</td>
<td>Economic activity can be coordinated by prices or hierarchal “command and control”. Price coordination by the market is generally considered more efficient.</td>
</tr>
<tr>
<td>Cooperation relies on trust</td>
<td>Replaced the market coordination mechanism with cooperation.</td>
<td>Cooperation requires trust between the purchaser and supplier. Contracts help this, but in the end different organizations have different objectives and maintaining trust can be difficult. May not encourage investment in specialized assets.</td>
</tr>
<tr>
<td>Cost of transacting</td>
<td>Writing tender and contracts,</td>
<td>Any change in the current</td>
</tr>
</tbody>
</table>
searching for, selecting and negotiating contracts are all explicit costs of setting up a contracting regime. Implicit costs also involved because of the inability to specify in advance all requirements. Hold-up and other costs may appear. Structure will incur costs. They may be more than the current costs. If in total they are more than current, the new structure in not efficient as the existing. The “command and control” type of coordination that the a single organization enables may therefore be more efficient.

<table>
<thead>
<tr>
<th>Cost of monitoring</th>
<th>An organization providing a service for another organization required monitoring. This incurs cost.</th>
<th>If produced by the same organization, there may be less need for monitoring, although this is doubtful.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss of control</td>
<td>The need to get complimentary assets working together requires control. Those with responsibility for overall delivery may have difficulty controlling the (unbundled) items in the value chain.</td>
<td>This view tends to see control as command over inputs. In fact the control may be a different form – of control over outputs and outcomes – see Element 5</td>
</tr>
<tr>
<td>Hollowing out</td>
<td>Reducing the producer in size with most production activities by others</td>
<td>There are many successful “hollow” service delivery organizations. There must of course be organizations capable of the production</td>
</tr>
<tr>
<td>Loss of skills</td>
<td>Inability to produce and purchase the service because lack of in-house skills.</td>
<td>Skills are still in the market place – they just shift.</td>
</tr>
<tr>
<td>Loss of corporate memory</td>
<td>Collective knowledge may be diluted</td>
<td>Productive relationships with suppliers may be difficult to maintain.</td>
</tr>
<tr>
<td>Weakened innovative capacity</td>
<td>Contracting to others reduces incentives to solve problems oneself</td>
<td>Accepting low bids may lead to this. On the other hand, competition encourages innovation</td>
</tr>
<tr>
<td>Transition costs</td>
<td>Moving for in-house to external production requires re-organization, which has costs of its own.</td>
<td>Any change in structure incurs costs. They just need to be minimized. Ultimately, total benefits must exceed total costs, including transition costs.</td>
</tr>
</tbody>
</table>
Element 8
Involves the Community and Private Sector

Contents

Background ............................................................................................................................................1
A. Community Empowerment ...........................................................................................................1
B. Private Sector Participation (PSP) also known as Public-Private Partnerships (PPP) ..........1
Tools for Implementing the Alternative Mechanisms .........................................................................1
Connection to other Elements ...............................................................................................................2
Advantages .............................................................................................................................................2
Disadvantages ........................................................................................................................................3
Element 8
Involve the Community and Private Sector

Background

Element 1 aims to ensure the core function of government – policy making, establishing governance systems and setting direction - are performed by government. Element 8 is to ensure other actors can deliver services, if appropriate. In the case of the community, it also opens the way for participation of the community in governance decisions related to the service to give the community “voice”.

Alternative Mechanisms

A. Community Empowerment

B. Private Sector Participation (PSP) also known as Public-Private Partnerships (PPP)

Tools for Implementing the Alternative Mechanisms

A. Community Empowerment:  shifts operational responsibility as well as control and power from bureaucracy to the community. It is a form of outsourcing and can remove problems that bureaucracy cannot solve to places where the community becomes responsible. Methods include:

- “Community empowerment programs” such as newly launched PNPM, the Urban Poverty Projects (P2KP) and the Kabupaten Development Projects (KDP)
- Empowerment Agreements: Specific agreements to share powers between a government organization and a community – for example some IKK water schemes
- Community Governance Bodies: community based “steering “ organizations that have the authority and resources to make decisions that were once the realm of a government organization – e.g. the replacement of the LKMD by the “Badan Kelurahan” or recently, the “school committees
- Collaborative Planning: gives community organizations decision authority in the planning of public services and regulations – e.g., as has been used for some community sanitation programs like WSPP.
- Community-based Funding: provides public funds to community groups and authorizes them to raise their own revenues in select circumstances .e.g. include in most of the recent community development programs in Indonesia.

B. Private Sector Participation: Often the government just cannot solve service delivery problems by itself – capital investment is need that is does not available to government – or skills, technical expertise or the pressures of competition in the market. These tasks can be transferred to the private sector – so long as policy-making powers and perhaps some
regulatory and compliance functions - do not go with the transfer. Methods of involving the private sector include:

- **Service contracts:** The government purchases service for a limited period without significant transfer of risks, authority or accountability to the customer.

- **Management contracts:** The government pays experts to manage the service but assets and finances remain with the government.

- **Lease contracts:** The government pays the contractor to provide assets and a service through those assets.

- **Build Own Transfer (BOT):** The contractor build the infrastructure necessary to deliver the service, operated it for a agreed period in return for agreed payments, then transfers the ownership to the government.

- **Concessions Contracts:** The government awards the right (often exclusive) to the contractor to develop the infrastructure, deliver a service and collect payment form the customer, with regulation provided by the government.

- **Build Own Operate:** Similar to BOT, but the ownership is not transferred back to government.

- **Divestiture:** extreme “privatization”, where the ownership of assets is sold to the private sector operator. This is often when government decides to exit entirely as an “operator”.

### Connection to other Elements

Involvement of the community and private sector are central features of AMSD. It acknowledges that often communities have the information needed to set standards, design service delivery procedures and monitor performance. It acknowledges that if all the costs of service delivery are counted, the private sector, with the competition it faces and skills it has, may be the most efficient and best-value-for-money service provider.

1. Most importantly, it allows core government to focus on only what it can do – set direction.
2. It enables new resources to be brought into the service sector.
3. It enable the consequences of competition to be mobilized.
4. By linking pay to service under the customer strategy, it can produce higher quality and more responsive service.
5. Organizations become empowered by the profit motive.
6. Bureaucratic culture or service delivery organizations can be by-passed entirely.
7. Unbundling of the production function – horizontally and vertically become much easier.

### Advantages

Advantages of Community Empowerment / Participation:

1. Community often understand its problems better than bureaucracy.
2. Can be more creative and flexible than large service bureaucracies.
3. Enforcement of standards can be better for many services in which measurement is difficult (especially quality measurements).
4. As communities have a stake in decision making, they are more willing to accept outcomes, even if they are not optimal.
5. Build social capital, which enable the community to function better in other aspects

Advantages of Private Sector Participation:

1. Enable government to acquire technical expertise
2. Enable government to acquire managerial expertise
3. Can improve operating efficiency
4. Can improve investment efficiency
5. Can improve responsiveness to customers
6. Can insulate service delivery from politics and reversal of change.

Disadvantages

Disadvantages of Community empowerment / participation:

1. Trust must first be build between government and the community – potentially a slow process.
2. Difficulties in accountability – must have clear goals from the beginning and able to measure performance.
3. Information must be transparent to all stakeholders
4. Can be difficult to avoid elite capture
5. Patience and early success are needed to sustain it
6. Public employees must be sold on the idea as well as the community to prevent backsliding
7. Do not just empower the elite.

Disadvantages of Private Sector Participation

1. Requires the government to be clear on its objectives, i.e. Element 1 to be effective if the partnership is to be sustainable in the long-term.
2. Requires wide stakeholder support – which can be difficult if ideological arguments are involved.
3. Needs cost-recovering tariffs or a willingness of the government to fund the balance.
4. Good information about the system – especially if public assets will be transferred to the private sector for utilization by them in the service.
5. A developed regulatory mechanism to convince the private sector they will get a fair hearing in any dispute; and
6. Generally a well developed financing industry.
Appendix C

Checklist of AMSD Strategies
Alternative Mechanisms of Service Delivery

Checklists / Description of the Strategy Elements

November 2008

Prepared for the Sub-Directorate for Public Services by Hickling Corporation under contract to the Decentralization Support Facility

DEPARTEMEN DALAM NEGERI REPUBLIK INDONESIA,
DIREKTORAT JENDERAL PEMERINTAH UMUM
Direktorat Dekonsentrasi dan Kerjasama

Jakarta, Indonesia
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figure 1: The Technical (What and Why) Elements of AMSD</td>
<td>ii</td>
</tr>
<tr>
<td>Element 1: Clarifying of objectives, roles and authority</td>
<td>1</td>
</tr>
<tr>
<td>Element 2: Covering the Cost of Service Delivery</td>
<td>2</td>
</tr>
<tr>
<td>Element 3: Consequences (Rewards &amp; Punishment)</td>
<td>3</td>
</tr>
<tr>
<td>Element 4: Citizen-Centering: Customer “in the driving seat”</td>
<td>4</td>
</tr>
<tr>
<td>Element 5: Empowering Service Organizations &amp; Employees</td>
<td>5</td>
</tr>
<tr>
<td>Element 6: Changing Organizational Culture</td>
<td>6</td>
</tr>
<tr>
<td>Element 7: Changing Sector Structure</td>
<td>7</td>
</tr>
<tr>
<td>Element 8: Participating Communities and Private Sector</td>
<td>9</td>
</tr>
</tbody>
</table>
Figure 1: The Technical (What and Why) Elements of AMSD

1 Clarity of objectives, roles, authority and responsibilities by:
   - Clarifying objectives
     - Visioning / mission statements
     - Strategic management & planning
     - Performance Based Budgeting
     - MTEF
     - Strategic Evaluations / Auditing
   - Simplification / rationalizing programs
   - Separating policy-making, regulation (gov.) from implementation, enforcement (any efficient service provider)
   - Clarify the relationships between actors using written agreements (“Flexible Performance Agreements”)

2 Resources: set service charges so as to cover production costs, wherever possible:
   - User-pays for “private goods”
   - Disconnect from APBD to improve predictability, link quality and resources
   - Incentivize funding: base on results
   - Use “PSO contract” for those who

3 Raise consequences (rewards and punishment) by:
   - Mobilize market: “Enterprise management” (internal competition, BLUDs, BUMDs)
   - Use competition to incentivize: Market-testing (contracting-out), Benchmarking: Act.B. Costing

4 Put the Customer “in driving seat”
   - Give customers choice (PSO / CCT’s, Vouchers)
   - Customer Quality Assurance
     - Citizen Charter, Scorecards
     - SPMs
     - ISO 9000, TQM,
     - Systems for Customer Satisfaction, Complaints handling

5 Empower Service Delivery Units while retaining control of policy
   - Trade autonomy for accountability
     - Give admin. flexibility to UPTs, Badan, BLUD, BUMD (budget, HRM, procurement, audit etc..)
     - Build organization capacity; eg
       - Internal re-organization (like 1)
       - ISO 9000 certification; TQM
       - SOP /process improvement
       - ICT; work-teams

6 Change employee culture – “de-bureaucratize”- by (for example):
   - Provide new experiences
     - Internships, rotations etc
   - Provide a new “work-contract”
     - Professional HRM/HRD
     - Employee councils/ surveys
   - Professionalize thinking

7 Restructure service sectors:
   - Devolution (to kecamatan & desa, for example)
   - Horizontal and vertical (un)bundling of production
   - Cross-sector (un)bundling
   - Competition rules
   - Capture economies of scale/scope, develop/utilize specialization, raise transparency and accountability, and incentives

8 Empowering the Private Sector and Community
   - Use Profit motive / incentive and “ownership” to:
     - Increase investments
     - Raise efficiencies
     - Broaden access to skills
     - Improve governance
     - Trigger and lock-in reforms

AMSD is founded on reducing bureaucratic behavior and raising the use of incentives through:
- Clarity of the future direction of government, programs and roles
- Consequences of performance
- Customer focus
- Controlling policy but not implementation methods
- Cultural change inside Service Providers and their employees

¹ The elements are not mutually exclusive, e.g. 1 and 7 are closely related as are 2 with 3, 3 with 8 and 5 with 8
Element 1: Clarifying of objectives, roles and authority

Background and Objectives

The word “government” comes from the ancient Greek word meaning “to steer”. Therefore, the original concept of the core activity of government was to (i) set broad directions for the community (ii) facilitate other organizations – be they operational units of government, the private sector, the community or individuals – to “do” things, including providing services (iii) monitoring how others are performing and (iv) taking corrective action.

Alternative Mechanisms Arising from the Element

A. Clarify direction through strategic management
B. Clear away programs that are not contributing to achievement of goals
C. Uncouple the policy / regulatory functions (steering) from service delivery and compliance (rowing) functions.

Tools for Implementing the Alternative Mechanisms

A. Clarity of direction: Through strategic management (not just strategic planning), defining their vision and core purposes clarifies the policy outcome goals of government in any service. Strategic management then helps align all efforts of government to achieving those goals through effective use of; e.g.
   - Visioning processes for the government and community.
   - Outcome goals (for example as set by Bappenas in the National Government Workplan.
   - Steering Organizations: Empowered advisory boards, councils, commissions etc.
   - Mission statements as a way of simply explaining to everyone the basic objectives.
   - Performance-based budgeting that defines the policy outcomes the legislators purchase.
   - Medium Terms Expenditure Frameworks (MTEF), being projected budget estimates
   - Modern (e) procurement: Use of technology to improve efficiency, and transparency.
   - Strategic evaluation that examines the chain of cause-and-effect.

B. Clearing away non-essential (non-core) functions, programs and activities of government that do not contribute to achievement of policy goals by stopping them, moving them to another sphere of government or allowing the private sector or community to perform them. e.g.
   - Program Reviews that look carefully at specific programs as the need arises.
   - Periodic Options Reviews that require routinely the examination of organizations
   - Contracting –out the development of needed assets by the private sector
   - Asset sales to move the responsibilities of ownership of assets that “clutter” the view.

C. Uncoupling Policy from Service Delivery creates clarity of roles. Allows policy-making organizations (like Sekda and Bappeda) to concentrate on policy – while delivery organizations like Dinas Kesehatan or Public Works concentrate on achieving a few clear missions.
   - New decrees related to organizational structure and main functions.
   - Flexible Performance Agreements
Element 2: Covering the Cost of Service Delivery

Background and Objectives

 Delivering services incurs costs that must be paid for, or covered, from one source or another. Most often, the higher the standard of service, the more money is needed to pay for its delivery.

Sustainable delivery of services that are of high priority requires mechanisms of funding that have the following characteristics:
(i) provides sufficient funds to cover the real cost of the service
(ii) are sustained over the period of delivery (years)
(iii) do not fluctuate excessively from year to year
(iv) efficiency is always a goal; and
(v) the distribution of costs and benefits need to be perceived as fair.

Alternative Mechanisms Arising from the Element

A. User-pay mechanisms (typically payment directly to the service provider)
B. Public service obligation (PSO) payments from government to the service provider
C. Public funding (public budget allocation).
D. Equity financing: investments / injections (“shares”) in the service
E. Debt financing: Funding by loans from various financial institutions (debt financing)
F. Borrowing, using bonds (obligasi) etc that have limited or do not use specific guarantees.

Tools for Implementing the Alternative Mechanisms

A. User-pay mechanism: The most reliable source of funding is from the user of the service.
   Key tools include:
   • Cost recovery tariffs: based on some units of service delivery;
   • Service Charges: (for example as set by the government for waste management services).

B. Public Service Obligation (PSO) mechanism: Subsidies paid for services that select users are unwilling and (especially) unable to pay for.

C. Public funding (public budget allocation) mechanisms: The “traditional” way of funding:
   • Direct “votes” from the local legislative body (DPRD).
   • Special Purpose Grants (“unconditional or “conditional”): from a higher levels.

D. Equity financing (“shares”): Shares in the investment and risk

E. Debt financing: A financial institution or individual makes a loan:
   • Re-course lending: The loan is secured by a guarantee provided by the “owners
   • Non-recourse: The lender takes an interest in the “project vehicle”, or does not seek a guarantee at all

Special Note: Basic competencies for implementing this Element are costing systems (particularly Activity Based Costing) and computerized financial projections.
Element 3: Consequences (Rewards & Punishment)

Background

Core government (Setda, Bappeda etc) is a monopoly, as often are its service delivery organizations (Dinas / SKPD, BUMD etc). There are few rewards for performing exceptional work and few punishments for not performing. If there are no consequences, why exert the effort and change and take the risks that improving service delivery needs? Change involves some risks; civil servants are not rewarded for taking risks and face considerable “punishment” if the risk eventuates, no matter how good the intention.

Alternative Mechanisms

A. Make service deliverers compete in the market – often called “enterprise management”
B. Make service deliverers compete for the market – often called “managed competition”; and
C. “Performance management” (for whatever alternative is chosen, at both the organization and individual levels).

Tools for Implementing the Alternative Mechanisms

Contracts are the basic tool for all three mechanisms. The tools for the three alternatives include:

A. Enterprise management: where service delivers earn their budgets by selling services in the market; e.g.
   • Internal Enterprise Management: make internal service providers compete in the market
   • External Enterprise Management (or “Fund”)
   • Corporatization in which the government service deliverer falls under commercial law

B. Managed Competition: where service deliverers earn their budgets by winning a competition against one-another for government work. e.g.
   • Competitive benchmarking: Compares routinely performance with organizations.
   • Competitive Bidding: raises consequences and efficiency by forcing SDs to compete to deliver services that are paid for by the public money. It comes in three forms:
     • Public versus public competition
     • Public versus private competition
     • Private versus private known as “contracting-out” / “outsourcing”:

C. “Performance management”
   • Setting agreed standards and targets
   • Negotiating targets against which performance will be assessed:
   • Measuring performance
   • Linking performance and rewards / punishments
Element 4: Citizen-Centering: Customer “in the driving seat”

Background

Government’s exist to provide services of various kinds to its “owners” – the community and its citizens that the government represents. Understanding what the community as a whole and citizens desire and need with respect to services should be a very important (core) competency present in any government aiming to improve service delivery.

Alternative Mechanisms

A. Give customers the power to choose their service deliverer (SD)
B. Give customers the power to use public money to choose their preferred SD; or
C. Customer quality assurance: Establish systems that assure the quality of service to customers.

Tools for Implementing the Alternative Mechanisms

If the customer can in some way be given “power” – either by letting their money pay for services or giving them power to influence the decisions of the SD, the SD will pay more attention to customer needs. Alternatives are:

A. Customer Choice: Customer are given the power to choose from where services are sought.
B. Competitive Customer Choice: introduces consequences for SDs. Public funds to people for:
   - Competitive public choice
   - Vouchers
   - Reimbursement program that pay the SD when a customer uses their services
   - Service quality information system for customers (e.g. publishing scorecards)
   - Brokers: a government funded office locates a selection of SDs e.g. capacity development.
C. Customer Quality Assurance: creates standards for customer service, guarantees, and redress for failures so that there are consequences for poor service; e.g.:
   - (Minimum) Service Standards: say on quality, quantity, cost and timeliness.
   - Quality guarantees: money back or restitution of damages – say PLN.
   - Customer Councils / Boards: ideally with some power. e.g School Management Boards
   - Customer Service Agreements: Set out the level of service and consequences.
   - Customer Charter. (or “Piagam Masyarakat”).
   - Complaint systems: makes SDs track and analyze complaints and learn from the analysis.
   - Customer Satisfaction Index: As is being (re)-developed by Menpan
   - Certification / accreditation: under recognized “organization / management excellence systems; e.g SNI /ISO 19:9000; TQM, 6-Sigma, etc
Element 5: Empowering Service Organizations & Employees

Background

Most organizations (and people) like to have autonomy over the way they do their job. What is important is the (agreed) results must be delivered. So it is with service delivery organizations (SDs). SD organizations have the most information about how to deliver services – what inputs of labor, technology, information etc are needed and what processes best produce the desired output. They should be allowed to manage, or made to manage.

Alternative Mechanisms

A. Organization Empowerment
B. Employee Empowerment

Tools for Implementing the Alternative Mechanisms

A. **Organization Empowerment:** Control over management of inputs and processes is moved to SDs while control overall is increased by specifying more clearly desired outcomes. In other words, the form of control is changed, and specifically the rules for Dinas’, UPTs, BLUDs, BUMDs and other organizations are changed, often made more “flexible” using:

- **Reform of Administrative Systems affecting the Organization:** Specific tools include:
  - Planning, budget and finance system
  - Development of Appropriate Organization(s) to Represent the Core of Government with BLUD, BUMD, private SDs
  - Corporate Governance Reform (Improve the Performance of “Board”)
  - Installation of Organizational Excellence Programs ISO 9000 etc.
  - Managerial Improvement Programs
  - Personnel System of the SD: Give managers operational control over people.
  - Procurement System: More flexibility (rather than less) under procurement rules
  - Audit System of the SD: Using audit to measure performance.

- **Site-based Management:** Moves select decisions from the often distant HQs.

- **Waiver Policies:** in which specific permission is given to change specific rules;

- **Special Waivers:** Organizations are specifically protected from intervention

- **Opting-out:** Allowing existing or new organization to operate outside existing system

- **Mass de-regulation:** Some administrations around the world have simply repealed en-masse regulations.

B. **Employee Empowerment:**

- **Professionalize the HRM/D function:**
- **De-layering Management:**
- **Break functional silos**
- **Labor partnerships:** work with Korpri and labor unions
- **Work teams:** Establishment of “Tim Gugas Tugas” etc
- **Employee suggestions programs**
- **Employee perception surveys:** Understand what employees think about productivity and satisfaction.
Element 6: Changing Organizational Culture

Background

Individuals experience their work culture through their everyday experiences – which come to them by (i) the way things typically happen in the organization, or habits (ii) the emotional happenings and (iii) the cognitive or rational experiences. Bureaucratic cultures need change.

Alternative Mechanisms

A. Change Habits: “experiential learning” to promote personal / professional growth.
B. Change Hearts: emotional change that focus on the interpersonal interaction and styles.
C. Change Minds: Change that focus on the cognitive understanding of individuals.

Tools for Implementing the Alternative Mechanisms

A. Changing Habits
   • “Meet the customer” programs: Forces employees to understand the customer.
   • Walking in the Customer Shoes: Programs that forces employees to endure the customer
   • Job rotation: forces employees to appreciate the difficulties faced by others.
   • Externships and internships: Allows employees to work in other organizations.
   • Contests: Request employees compete to model the new behaviors.
   • Large–scale real time strategic planning: Employees work with facilitators over a period.
   • Re-engineering the organization.

B. Change hearts.
   • Leaders create symbols and stories: to become emotional
   • Celebration of Success Events: for individuals, teams and the organization
   • Honor failures: by, for example, ensuring that audits focus on the learning.
   • New rituals: Graduation & award ceremonies, meetings, speeches, etc. etc
   • Bonding events: Experiential outdoor learning for teams, for example.
   • Improve physical work environment: Simple invest in improving the “standard issue.
   • Re-design the work environment: to improve teamwork or whatever the values.
   • Invest in employees: “walk the talk” that the employee is the most valued resource.
   • Employee attitude surveys: regularly conduct, analyses, feedback results and act on them.

C. Change minds.
   • Benchmarking performance: Compare with other organizations.
   • Study groups and tours: As team they identify issues, peers and exchange processes.
   • Participative development of mission statements: a widely shared understanding.
   • Participative development of vision statements: develops a widely shared view.
   • Leaders using entrepreneurial language and signs: metaphors and analogies.
   • Train change agents: People to carry the new culture.
   • New employee orientation programs: Inculcate the entrepreneurial culture from day one.
   • Career planning interventions: Help employees see the future.
Element 7: Changing Sector Structure

Background

Element 7 concerns the issues of (i) division of functions between levels of government (ii) market structure and (iii) market (competition) regulations. It is especially the service deliverer’s side of Element 1, but structure also influences consequences (Element 3) and the attractiveness for the private sector (Element 8).

Alternative Mechanisms

A. Changing the assignment of government functions between levels.
B. Horizontal aggregation (“horizontal bundling”) or dis-aggregation.
C. Vertical aggregation (“vertical bundling”) or dis-aggregation.
D. Cross-sectoral structure.
E. Changing the competition rules (for the service market or in the service market).

Tools for Implementing the Alternative Mechanisms

A. Changing the assignment of government functions: based on effecting change is legislative – sectoral laws and regulations, PP 38/2007, and funding regulations. Criteria include:
   • **Efficiency**: The assignment should encourage more efficient service overall, through:
     o Economies of scale – the concept that the larger the through put, the lower the unit cost
     o Economies of scope – the concept that similar activities in the proximate area are better managed within one system
   • **Spatial Externalities (or spillovers)** – positive or negative affects on surrounding areas
   • **Accountability through the political system**: the need for a collective choice mechanism.
   • **Accountability to the customer**, i.e. “consumer sovereignty”.
   • **Other** (administrative, technical and compliance capacity / costs, characteristic of the services, equitable provision, preservation of the internal market, economic stability)
   • **Assign support functions**: who regulates, monitors performance, ensures environmental and other compliance?

B. Horizontal aggregation (“horizontal bundling”) or dis-aggregation (unbundling):
   • **Technical and environmental criteria**: Many service delivery problems require technological solutions.
   • **Economic and financial criteria**: Depending upon the “cooperation” model used in the bundled service (ranging from informal through to total aggregation / amalgamation).
   • **Political voice and accountability through the political system**
   • **Administrative burden and transaction costs**:
   • **Legal and regulatory criteria**.

C. Vertical aggregation (“vertical bundling”) or dis-aggregation (unbundling): Vertical structure relates to the production process (the “value chain”).
   a. **Efficiencies through scope**: Can they be captured?
   b. **Costs of transition**: Changes of any types have costs.
   c. **Degree of cooperation to ensure quality of product**: How to manage poor quality input?
d. **Coordination in planning and investment**: Optimal plans and least cost investments?

e. **Cost of transaction**: Will the cost of specifying, bidding, negotiating etc be reasonable?

f. **Risk of payment**: Will suppliers be less willing to operate in a market payment is risky?

g. **Contested resources**: Does the change reduce the possibility of conflict over resources?

h. **Decentralization**: Does the change promote or hinder the policy of decentralization?

D. **Cross-sector structure**: The same ownership, single management or other affiliations of SDs in more than one sector:

i. **Efficiencies through scope**: Use of on billing system for two services, as an example.

j. **Risk of payment**: Reducing risk of payment for one service by use of another.

k. **Financial sustainability**: by being able to use one more profitable service pay for another.

l. **Transparency**: can cost allocations and tariff setting really distinguish the source of costs?

m. **Competitive distortions**: Will the service deliverer use one service to support the other(s).

n. **Management focus**: Can the team focus on all services.

E. **Competition rules**: Once services become more commercialized, organizations will become interested in providing them because of the profit motive. Based on the rules (regulations) when the new bundled / unbundled structure is established, the market structure is likely to evolve, depending upon whether the rules allow (i) existing SDs to merge or separate (ii) the ownership to change (iii) a monopoly is created by exclusivity rules and (iv) competitive entry by other SDs is allowed.

**Special Note:**

The analysis and change of sector structure can require considerable expertise in economic and financial analysis and operational experience in the particular sector. However certain generic pros and cons exist for unbundling and the accompanying “contractualization of relationships. They are related to the classic economic question of is it better for an organization to “make or buy” an input.
Element 8: Participating Communities and Private Sector

Background

Element 1 aims to ensure the core function of government – policy making, establishing governance systems and setting direction - are performed by government. Element 8 is to ensure other actors can deliver services. In the case of the community, it also opens the way for participation of the community in governance decisions related to the service.

Alternative Mechanisms

A. Community Empowerment
B. Private Sector Participation (PSP) alternatively known as Public-Private Partnerships (PPP)

Tools for Implementing the Alternative Mechanisms

A. Community Empowerment: shifts operational responsibility as well as control and power:
   - “Community empowerment programs” such as newly launched PNPM.
   - Empowerment Agreements: Specific agreements to share power.
   - Community Governance Bodies: community based “steering “organizations.
   - Collaborative Planning: gives community organizations decision authority.
   - Community-based Funding: provides public funds to community groups.

B. Private Sector Participation: Methods of involving the private sector include:
   - Service contracts: The government purchases service for a limited period.
   - Management contracts: The government pays experts to manage the service.
   - Lease contracts: The government pays the contractor to provide assets.
   - Build Operate Transfer (BOT): The contractor builds and operates the infrastructure.
   - Concessions Contracts: The government awards the exclusive right to deliver.
   - Build Own Operate: Similar to BOT, but the ownership is not transferred back to government
   - Divestiture: extreme “privatization”, where the ownership of assets is sold to the private sector operator. This is often when government decides to exit entirely as an “operator”.

Detailed Description of the AMSD Elements
Background

Description of Alternative Mechanisms

Tools for Implementing the Alternative Mechanisms

Connection to other Elements

Advantages

Disadvantages

Special Notes:

Appendices
Appendix D

The Model Structure of a Sector
(to Guide the AMSD Program)
Ideal Impact (Result) of an AMSD Project on Sector Structure

1 The Existing Condition that the AMSD Plan Must Change ............................................................ 1
2 The Future Conditions Resulting from AMSD Strategies ............................................................... 2
3 The Impact on “Rules of the Game” ............................................................................................... 7

Figure 1: Typical Current Confused Arrangements for Service Delivery ........................................ 1
Figure 2: Sector Structure in the Future (Typical) .......................................................................... 4
Figure 3: Sector Structure in the Future and the 8 AMSD Strategies .............................................. 6
Figure 4: Example of Rules at the level of Regional Government .................................................. 8

Table 1 The Main Instruments of the Central Government Imposed Framework (Water Supply as Example) ......................................................................................................................... 10
Ideal Impact (Result) of an AMSD Project on Sector Structure

The AMSD planning activities for the project aim to introduce at least two, if not more of the 8 strategies in each pilot. AMSD has a particular focus on changing “sector structure” – it focuses on clarifying the rules of the sector (one tool being the Flexible Performance Agreement), and thus improve the incentives for better performance of the service delivery organization (SDO) and other organizations that have a supporting role to play in delivery of the service – such as the central policy making organizations(s) and organizations with regulatory / compliance functions.

1 The Existing Condition that the AMSD Plan Must Change

The typical current “structure” (situation) and consequent lack of clarity and incentives is depicted in Figure 1 for the case of a typical SDO.

Figure 1: Typical Current Confused Arrangements for Service Delivery

“Structural” problems highlighted in Figure 1 that the AMSD pilot planning aims to address include (working clockwise around the Figure, starting with “Gov. Owner / Shareholder” box:

1. The government owner / shareholder, represented by the executive (typically the regional secretary) treat the SDO as an integral part of their domain leaving little autonomy for the SDO. The service delivery organization operates under the direct command of the Regional Government (and often the directly under the Head of Region).

2. Regulatory Discipline: Related to this, regulatory arrangements fail to impose standards, and targets are effectively non-existent in most governments. The “compliance
discipline” that most firms face is largely absent – rules related to incorporated bodies that keep them transparent are largely absent and they cannot be bankrupted, so managers are undisciplined and owners inattentive to financial sustainability.

3. Financial discipline: Funding arrangements for the SDO are so undisciplined that there is little incentive for the operators to seek efficiency; budgets from APBD are not based on performance targets, debt financing (in the case of BUMD such as PDAMs) has little consequence if not repaid and equity injections for capital investment and the assets thus created often go unaccounted for.

4. Market discipline: The discipline that customers and markets normally impose on producers is largely absent. The customer is not king. The SDO often has a surplus of labor but the cost is inconsequential. The managers do not have to worry about another SDO taking away “their business” – and their livelihood.

5. Social functions: Related to the service provided, with respect to the core function of the SDO, “social obligations” (such as supporting other objectives of the government) are mixed so badly with professional / commercial objectives that it is difficult for the SDO to know what it should concentrate on doing well;

6. Within the SDO, the mid-management level of managers (known as directors in the case of some SDOs such as PDAMs) act with little restraint other than that imposed by the Sekda or Head of Region because the Top Management (or Board of Supervisors (BOS) in the case of BUMD) do not actively manage / govern, often to the point they are dysfunctional;

7. Even if the Top Management were fully committed, they would have difficulty running the SDO because of a lack of sensible strategic and annual work plans, well developed business processes / procedures, reliable data and management, and competent, results oriented personnel;

8. Monopoly: There is just a single SDO providing the service and that SDO often is highly vertically and horizontally integrated – it controls the input resources, produces the “product” and distributes it. The SDO also not only operates as a monopoly but as a policy-maker and regulator all in one – a case of acting both as “game-keeper and poacher”.

9. Key stakeholders, such as the community and private SDOs have little participation – either in influencing decision-making regarding standards of service, allocation of resources or in actual production / delivery.

In summary, the situation presently can be characterized as “confused”: SDOs operate in a legal and regulatory framework which does not clarify roles and responsibilities, improve predictability in allocation of resources and provide consequences for good or bad performance.

\section{The Future Conditions Resulting from AMSD Strategies}

The pilot plans should be designed to sort out the muddled relationships. The most important result in the long–term is for the SDOs to operate more as “contactors” – at least as more autonomous bodies working in accordance with a performance agreement (ultimately a “license” or “contract”) that sets out their authority and accountability, how they are paid, the consequences of failing to perform and how accountability will be enforced. Figure 2 shows
the institutional set-up for a typical SDO that should be the long-term aim of any AMSD initiative.
Figure 2: Sector Structure in the Future (Typical)

**Local Administration**
- Head of
  - Purchasing Dinas
  - Sector Policy

**DPRD**
- Legislators — social values
- Budgets
- Check on Executive
- Komis C — Finance
- Komisi D — Community

**(Independent) Regulator**
- (as well as others for environment, health and safety etc)
- Administers Operating License / PSO Contract

**Stakeholder Committee**
- (Possible future formal Community Board)

**AUTONOMOUS SDO(s)**
- Top Management
  - Reports for bonus
  - Appoints and Monitors performance

- Mid-management
  - Operates according to plan and performance targets

- Core Functions

**Markets Input Forces**
- o Labor
- o Product offering
- o Corporate Control

**Financial Input Forces**
- o Perform. Budget
- o Debt repayment
- o Equity return

**Payment based on results — mechanism called “Public Service Obligation”**

**Subsidized Customers**
- eg “domestic – low” charged below cost

**Full Cost paying Customers**
- those paying cost recovery charges for their particular service

**Service subsidized by a PSO Contract**

**Service provided as per conditions of license**

**Information on delivery and quality for all services**

**Executive Government and DPRD acting as policy and lawmaker**

**Executive Government as owner insists on performance**
Key features of this reformed structure that the 8 AMSD strategies produce are:

1. Separation of policy making, operations and regulation with overall responsibility for system design being returned to PEMDA – with the FPA reinforcing this reassignment of roles (Strategy 1);

2. Funding designed to improve incentives – i.e. funding that is sufficient and predictable, and linked to performance - to be efficient (Strategy 2);

3. Increased autonomy for the SDO; wherever possible the charges for its services being retained within the enterprise. Consequences for good or bad service delivery can therefore begin to be mobilized. The SDO will be more accountability through clear roles and responsibilities for the Top Management. Performance will be measured, providing a range of possibilities for introducing a more merit – oriented management system – one where rewards and punishments are real (Strategy 3);

4. Customer and stakeholder needs are heightened by a range of activities aimed at “putting the customer in the driving seat” – which, somewhat counter intuitively – can mean making the customer pay for the service or at least giving him options (Strategy 4);

5. Within the (newly empowered) SDO, developing plans and strategies, business process, data and information system, organizational performance measurement systems, and especially better leaders and managers competent, motivate staff (Strategy 5)

6. Again, within the SDO, de-bureaucratization of the labor force, orienting the SDO HRD system to results, merit and a caring workplace (Strategy 6)

7. Horizontal and vertical dis-aggregation / aggregation of the supply chain. Reducing restrictive practices and monopoly, by in general, working to introduce multiply and specialized providers (strategy 7); and

8. Providing for a larger role for the private sector and community – be it as elements of a new governance arrangement (members of community advisory boards etc), providers of inputs (service contracts, etc) or as deliverers of the final (retail) service such as through management contracts, build-own and operate (BOT schemes or whole concessions (Strategy 8) – and the institutional arrangements that have been found to encourage this roles, such as creation of independent regulatory mechanisms.

The tools to help achieve these results have been described in the project document “AMSD - Description of the Strategic Elements”. The challenge is to ensure the reforms are successfully designed and implemented in the face of the resistance to change that can be expected of any reform. The process of pilot design and managing the change it will require is therefore critical to success.

**Figure 3** locates the main (but not exclusive) areas in which these strategies work on the previous Figure.
Figure 3: Sector Structure in the Future and the 8 AMSD Strategies

Local Administration

Head of Region
- Purchasing Dinas
- Sector Policy

Executive Government and DPRD acting as policy and lawmaker

DPRD
Legislators – social values
Budgets
Check on Executive
Komis C – Finance
Komisi D – Community

(Independent) Regulator
(as well as others for environment, health and safety etc)

Administers Operating License / PSO Contract

Stakeholder Committee
(Possible future formal Community Board)

AUTONOMOUS SDO(s)

Top Management
- Reports for bonus
- Appoints and Monitors performance

Mid-management
- Operates according to plan and performance targets

Core Functions

Core Functions

Subsidized Customers
- eg “domestic – low” charged below cost

Full Cost paying Customers
- those paying cost recovery charges for their particular service

Markets Input Forces
- Labor
- Product offering
- Corporate Control

Financial Input Forces
- Perform. Budget
- Debt repayment
- Equity return

Information on delivery and quality for all services

Executive Government as owner insists on performance

Payment based on results - mechanism called “Public Service Obligation”

Payment

Service provided as per conditions of license

Service subsidized by a PSO Contract

Full Cost paying Customers
- those paying cost recovery charges for their particular service
3 The Impact on “Rules of the Game”

AMSD Strategy 1 concerning clarity of roles and objectives is of particular concern. Under it, a relationship between government and its SDO should be moved from, typically informal, to a more formal “arms-length” one. The areas in which “rules” (laws, regulations, ministerial regulations and decrees etc) are impacted – i.e. typically need reform - to increase autonomy but simultaneously increase accountability, are shown in Figure 4.
Figure 4: Example of Rules at the level of Regional Government

**TYPICAL RULES CURRENTLY**

- Establishment of an organization to perform a service/function. eg, a “PDAM” (say “Perda 1 / 1977”)

- Technical Regulations (“Air Minum”) that regulates …. (PERDA)

- Decree describing the structure of each organization and important operating procedures (eg, an SK)

- A local regulation about payment and possibly other financial matters (Decree of Head of Region, eg SK 14 / 2002)

**RULES IN FUTURE TO COVER...?**

- Local Law (Perda) that changes / establishes sector structure in the functions assigned to Pemda (separate roles, parts of the production cycle etc) – and therefore possibly incentives

- Perda establishing a “PDAM” as a particular type of “approved” organization eg UPT, BUMD

- Operating Licence / Contract from the “Owner” (Pemda) with key performance indicators

- Establishment of (i) Sector Policy Office in Pemda and (ii) Office / Regulatory Board.

  - Process for determining tariff or charges
  - Method of paying subsidies (“PSO”)
  - Procedures for investing in sector

- A general contract (“charter”) with all customers, covering:
  - Minimum standards. (cost, quality etc)
  - Respective rights and responsibilities

- Strategic Plan and Annual Work Plan (to raise accountability)

- Strategic Asset Management Plan (to demonstrate management of public assets)

- “Household Regulations” for the various organizations

- Standard Procedures for any “Governing Body” – meetings

- Code of Ethics to provide guidance on behavior

- Regulations on management of human resources

- Accounting Manual

- Quality Manual

- Procedure for procurement of materials, services etc

**NB:**
1. This example uses piped water supply as the sector.
2. Detailing properly the regulations in this list requires that the assignment of authority over the function has been settled – for example, regulatory authority has been assigned to regional government. If this is not so, the “Rules” will be difficult to complete. Instruments from central government should clarify, or at least explain the criteria for
The areas covered are not only results that are hoped for (in the strategic planning documents), but frequently – and some would say unnecessarily - the way in which the results will be achieved. They therefore typically include matters related to procurement, management of financial and human resources, audit, use of public assets and even matters such as notification to the “steering” functions for government of incidents that might have a political dimension – say accidents, major equipment failures etc.

It is through this legal and regulatory framework that the “control” required under AMSD Strategy 5 is established. **Table 1** provides a typical list of rules faced by an SDO in a sector.
<table>
<thead>
<tr>
<th>Delegation of Authority / Governance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Law 7 of 2004</td>
</tr>
<tr>
<td>2. Law 5 of 1962</td>
</tr>
<tr>
<td>3. Permendagri’ 1 of 1984</td>
</tr>
<tr>
<td>4. Permendagri 690-1572 of 8 Nov 1985</td>
</tr>
<tr>
<td>5. Inmendagri 8 of 1995</td>
</tr>
<tr>
<td>7. Permendagri 3 of 1998</td>
</tr>
<tr>
<td>8. Permendagri 7 of 1998</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Resourcing</th>
</tr>
</thead>
<tbody>
<tr>
<td>13. Inmendagri’ 8 of 1998</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Service Delivery / General Operations</th>
</tr>
</thead>
<tbody>
<tr>
<td>14. Keputusan Bersama (Joint Decree) of the Ministers of Home Affairs and Public Works, Number 5 Year 1984 / Number 28/KPTS/1984</td>
</tr>
<tr>
<td>15. Permendagri 4 of 1990, dated 16 March 1990</td>
</tr>
<tr>
<td>17. Keppres 7 /1998</td>
</tr>
<tr>
<td>18. Kepmendagri1 8 of 2000</td>
</tr>
<tr>
<td>20. Kepmendagri 43 of 2000</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Information / Performance Management</th>
</tr>
</thead>
<tbody>
<tr>
<td>22. SK Head of LAN, 589/I/X/6/Y/1999</td>
</tr>
<tr>
<td>23. Sk Head of LAN 239/I/X/6/8/2003</td>
</tr>
<tr>
<td>24. Kepmendagri 47 of 1999</td>
</tr>
<tr>
<td>26. SE Mendagri 690/2323/PUOD of 11 August 1999</td>
</tr>
<tr>
<td>27. SE Mendagri 500/746. A/IV/Bangda of 6 July 2004</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Accountability / Enforcement</th>
</tr>
</thead>
<tbody>
<tr>
<td>28. Keputusan 907/MENKES /SK/7/ 2002 of the Ministry of Health</td>
</tr>
<tr>
<td>29. PP 80 / 1980</td>
</tr>
<tr>
<td>30. Law 17/2003</td>
</tr>
<tr>
<td>31. Law 1 / 2004</td>
</tr>
<tr>
<td>32. Law 15 / 2004</td>
</tr>
</tbody>
</table>
Appendix E

Presentation to Inter-departmental Workshop
DEPARTEMEN DALAM NEGERI
REPUBLIC INDONESIA
DIREKTORAT JENDERAL PEMERINTAHAN UMUM
JALAN KEBON SIRIH NO. 31 JAKARTA

Jakarta, 9 Oktober 2008

Kepada
Yth. Bpk/ibu/Sdr/i
(daftar nama terlalu jauh)
di -
JAKARTA

Nomor : 005/1607/PUM
Tanggal :
Lampiran : 1 (satu) eks
Perihal : Undangan Rapat.

Dalam rangka peningkatan kualitas pelayanan publik di daerah, Ditjen Pemerintahan Umum Departemen Dalam Negeri bekerja sama dengan DSF (World Bank) bermaksud menyusun panduan strategi program pelayanan publik (cetak biru/blue print) dan melakukan studi kasus dalam konteks menggali model Mekanisme Alternatif Pelayanan Publik (MAPP).

Sehubungan dengan hal tersebut, guna membangun kesamaan langkah, koordinasi, dan sinergi kebijakan serta implementasinya di daerah, bersama ini dengan hormat kami mengundang Bpk/ibu/Sdr/i untuk hadir pada acara dimaksud yang akan dilaksanakan pada:

Hari : Senin
Tanggal : 13 Oktober 2008
Waktu : Pukul 09.00 s/d 13.00 WIB
Tempat : Hotel Aryaduta
          Jl. Prapatan No.44-48 Jakarta Pusat.

Demikian atas perhatian dan kerjasamanya diucapkan terima kasih.

[Signature]

38. DIREKTUR JENDERAL PEMERINTAHAN UMUM,
SEKRETARIAT DIREKTORAT JENDERAL

[Signature]

Tembusan disampaikan kepada:
Yth. Bapak Dirjen PUM, sebagai laporan.
DAFTAR NAMA PESERTA RAPAT
TANGGAL 13 Oktober 2008

1. Asisten Deputi Bidang Pelayanan Publik, Kementerian PAN;
2. Direktur Pembinaan dan Pengelolaan Keuangan BLU, Ditjen Perbendaharaan, Departemen Keuangan;
3. Direktur Pendapatan dan Investasi, Ditjen BAKD, Departemen Dalam Negeri;
4. DR. Roy V. Salomo, M.Si, Ketua Program S1 Dep. Ilmu Administrasi, Fisip-UI;
5. Direktur Dekonsentrasi dan Kerjasama, Ditjen PUM, Depdagri;
6. DSF (World Bank);
7. Kasubdit Kerjasama Antar Daerah, Ditjen PUM, Depdagri;
9. Kasubdit Pelayanan Umum Pemerintahan, Ditjen PUM Depdagri;
10. Kasi Peningkatan Kinerja, Ditjen PUM, Depdagri;
11. Kasi Standardisasi, Ditjen PUM, Depdagri;
Susunan Acara
Pertemuan Pembahasan Proyek AMSD-DSF
Hotel Aryaduta, Jakarta, 13 Oktober 2008

<table>
<thead>
<tr>
<th>Waktu</th>
<th>Acara</th>
<th>Dipandu oleh:</th>
</tr>
</thead>
<tbody>
<tr>
<td>09.00-09.10</td>
<td>Kata Sambutan</td>
<td>Direktur Dit Dekon &amp; Kerjasama, Ditjen PUM (Dit DK)</td>
</tr>
<tr>
<td>09.10-09.40</td>
<td>Tinjauan Kondisi dan Permasalahan Eksisting PLU</td>
<td>Kasubdit LU, Dit DK</td>
</tr>
<tr>
<td>09.40-10.10</td>
<td>Informasi tentang Proyek AMSD dalam konteks Peningkatan Pembinaan Layanan Umum di Daerah oleh Ditjen PUM, termasuk Pengembangan Model dan Percontohan Implementasinya.</td>
<td>Konsultan AMSD, DSF</td>
</tr>
<tr>
<td>10.10-10.40</td>
<td>Tanya jawab tentang Proyek AMSD</td>
<td>Konsultan AMSD, DSF</td>
</tr>
<tr>
<td>11.30-12.00</td>
<td>Eksplorasi dan Pembahasan Permasalahan terkait Pengembangan Model dan Percontohan Implementasinya – melalui curah pendapat.</td>
<td>Kasubdit Layanan Umum, Dit DK</td>
</tr>
<tr>
<td>12.00-12.30</td>
<td>Koordinasi dengan dan perolehan dukungan dari Institusi Terkait dalam Pelaksanaan Proyek</td>
<td>Kasubdit Layanan Umum, Dit DK</td>
</tr>
<tr>
<td>12.30-12.45</td>
<td>Rangkuman kesimpulan dan masukan</td>
<td>Konsultan AMSD, DSF</td>
</tr>
<tr>
<td>14.45-13.30</td>
<td>Penutupan, dilanjutkan Makan Siang</td>
<td>Kasubdit Layanan Umum, Dit DK</td>
</tr>
</tbody>
</table>

Catatan: Minuman dan makanan kecil disediakan selama rapat berlangsung

Jakarta, 13 Oktober 2007
Mekanisme Alternatif untuk Pelayanan Publik (MAPP)  
(AMSD = MAPP?)

Slide 2

**Memperkenalkan MAPP**

1. Sekilas Proyek
2. Sepintas Latar Belakang Proyek
   a. Apa itu MAPP?
   b. Dasar Kebijakan MAPP di Indonesia
   c. Berapa ide / usulan teknis / substantif
3. Tujuan MAPP-DSF
4. Hasil yang Diharapkan
5. Kegiatan yang perlu / direncanakan?

Slide 3

**Proyek MAPP - Sekilas Pandang**

- Didanai oleh Decentralization Support Facility (DSF) - Multidonor Trust Fund
- MOU dengan DDN / BAPPENAS / Depkeu
- Jangka waktu studi AMSD 8 bulan (Januari - Sept 2008)
- Konsultan 6 mm international, 8 nasional(hibah)
- Bantuan AMSD ditujukan kepada DDN (Dirgen PUM, Depdagri)
- Lembaga Pelaksana: Hickling Corporation, Kanada
APA ITU MAPP?

"...suatu proses yang kreatif dan dinamis dengan mengatur kembali sektor public untuk memperbaiki pelayanan kepada masyarakat dengan memperhatikan prinsip-prinsip kepemerintahan yang baik (good governance) melalui perorangan, kelompok masyarakat dan instansi pemerintah lainnya (IPAC, 1997)."

Beberapa Contoh MAPP

- Pelayanan oleh Pemda sendiri
- Pelayanan oleh "agency" (BLUD / BUMD)
- Pembagian antar tingatan (devolusi dan sbg.)
- Kerjasama (KSAD / KPS)
- Pemda memanfaatkan pelayanan (dibeli) dari swasta atau tertangga – Pemda masih bertanggung jawab)
- Swastanisasi

Bagan Alir Keputusan - PP38/2007?
Slide 7

Mekanisme (Model?) Alternatif Pelayanan Umum

OPSI-OPSI DENGAN TINGKAT OTONOMI DAN IMPLIKASI KEBIJAKAN YANG LEBIH BESAR

1. Penugasan formal tapi tidak kontraktual - internal & semi formal
2. Kontrak Jasa - internal dan formal
3. Kontrak Jasa Layanan – formal, internal & eksternal
4. Kontrak Jasa Manajemen – formal, internal/eksternal
5. Kontrak Sewa – formal, eksternal
6. Kontrak BOT, BOOT, BOO – formal, eksternal
7. Kontrak Konsesi – formal, luas, eksternal

Mekanisme (Model?) Alternatif Pelayanan Umum

OPSI-OPSI DENGAN TINGKAT OTONOMI DAN IMPLIKASI KEBIJAKAN YANG MAKIN KECIL

1. Penugasan formal tapi tidak kontraktual - internal & semi formal
3. Kontrak Jasa - internal dan formal
4. Kontrak Jasa Layanan – formal, internal & eksternal
5. Kontrak Sewa – formal, eksternal
6. Kontrak Konsesi – formal, luas, eksternal

Slide 8

Trajektori penerapan MAPP

Mengarah kepada pengurangan otonomi, kebijakan dan dampak risiko

Non-struktural, “dapat dibalik”

Mengarah kepada peningkatan otonomi, kebijakan dan dampak risiko

Struktural, “tidak dapat dibalik”

Sektor Publik

Komeraialisasi

Korporasi

“Privatisasi”

Slide 9

Hasil yang diharapkan dengan MAPP

- Pelayanan kepada masyarakat yang lebih cepat, lebih tanggap, bermutu dan hemat biaya.
- Perubahan budaya organisasi dan praktik pengelolaannya sehingga kinerja organisasi menjadi lebih efektif dalam pemberian pelayanan.
- Dengan pendedagian wewenang yang lebih besar kepada pengelola sektor publik (misalnya, kepala dinas, pihak ketiga), pengambilan keputusan menjadi lebih dekat ke sasaran, yaitu masyarakat yang dilayani.
Slide 10

TUJUAN PROYEK MAPP -DSF

- Mengkaji dan membantu Pemerintah mengembangkan kerangka pengaturan yang berkaitan dengan pelayanan publik kepada Pemda Kabupaten/Kota.
- Membantu mengembangkan dan melaksanakan metode (pengontrakan) baru dalam pelayanan publik.
- Mengujicobakan melalui pilot proyek di dua daerah metode pengontrakan baru yang sesuai kondisi daerah yang bersangkutan agar pelayanan publik menjadi lebih efektif dan efisien.

Slide 11

DASAR KEBIJAKAN MAPP

- Teori New Public Management (UU17/2003)
  - Mengukur kinerja dan pengelolaan berdasar fakta
  - ‘Mewirausahakan birokrasi’ (reinventing government)
  - ‘Memangkas birokrasi’ (banishing bureaucracy)
- Pemerintah sebagai fasilitator bukan sebagai pelaksana
- Pengalaman di negeri-negeri yang lain (Kanada, Malaysia, Aust., US, NZ, ....)

Slide 12

KEBIJAKAN Indonesia BERKAITAN DENGAN MAPP

- UU 25 / 2005 mengenai Perencanaan Pembangunan
- UU No. 32/2004
  - pemerintahan daerah disanksikan untuk mempercepat terwujudnya keadaan adil di masyarakat, dengan melakukan penerapan pemanfaatan kebijakan pemerintah daerah secara efisien.
- PP No. 65/2005
  - pedoman penyusunan dan penerapan standar pelayanan minimum (SPM)
- PP No. 38/2007
  - urusan yang menjadi kewajiban Pemda Kabupaten/Kota.
- PP No. 41/2007
  - peraturan daerah yang saling melengkapi dalam memenuhi standar pelayanan minimum.
- PP No. 50/2007
  - petunjuk daerah yang saling melengkapi dalam memenuhi standar pelayanan minimum.
- Perpres 67 / 2005 mengenai PPP
- Keppres 80 / 2003 mengenai pengadaan
- Berapa Permen, Kepmen dari MENPAN mengenai Pelayanan Publik
- Berapa UU Sektoral baru

Holding Corporation  AMSD - DSF
Slide 13

Faktor Sukses MAPP di Pemda

- Penataan Pelayanan biasa dengan perhatian kepada pertimbangan mekanistik berupa variabel:
  - Teknis?
  - Ekonomi dan keuangan?
  - Hukum dan regulasi?
  - Politik?
  - Kapasitas administrasi?

- Semua variabel ini perlu disinformasikan dengan baik, dan kepastian hukum – hubungan institusional lebih baik diurus melalui “kontrak” dan indikator kinerja kunci yang SMART

- Tetapi, saya tanya: pendekatan ini dapat menyentuh soal-soal insentif, reward dan punishment, kultur birokrasi ..???

Slide 14

Reformasi Pelayanan Publik / Umum

- Pemisahan yang menetapkan kebijakan dari pengaturan dan pelaksanaan (Flexible Performance Framework)

- Penetapan harga pelayanan yang menggantikan ongkos produksi (Public Service Obligation)

- Peningkatan Konsekuensinya (Rewards and punishment) (Implementasi berbasis kontrak)

- Penerapan penyediaan pelayanan tanpa kehilangan kontrol KDH (Rewards and punishment)

- Manajemen berbasis kinerja

- Memperdayakan Pelanggan (Customer)
  - Customer Quality Assurance (CQA), Citizen Charter, Scorecard, ISO 9000, TQM, Mekanisme Index Kepuasan, Sistem Kualitas

- Memperdayakan Penyedia Pelayanan tanpa kehilangan kontrol KDH

- Perubahan antar fleksibilitas / otonomi dengan kapabilitas

- Memperdayakan sistem administrasi

- Memperdayakan karyawan (SOTK; P. Prima; Tim G. Tugas, TQM, ISO 9000 dsb)

Slide 15

Bpk Made Bawayusa akan mempresentasikan beberapa hal mengenai peningkatan pelayanan publik / umum melalui DDN / PUM
## Kegiatan awal yang Direncanakan

- Peninjauan kerangka perundang-undangan
  - Mendokumentasikan kerangka perundang-undangan yang berkaitan dengan MAPP
- Lokakarya (3X ...)
  - Memperkenalkan peran AMSDs dalam pelayanan umum
  - Mendokumentasikan kerangka perundang-undangan yang berkaitan dengan MAPP
- Kunjungan ke Daerah
  - Memperoleh gambaran umum tentang perkembangan MAPP
- Case Study / Pilot Proyek
  - Pemerikasan kasus MAPP di 2 kabupaten/kota
  - Penyusunan "Cetak Biro" peningkatan MAPP

## Hasil yang di Harapkan dari Proyek MAPP-DSF

- Tersusun / memperjelas opsi-opsi pelayanan umum serta kelembaban
- Mengidentifikasi hambatan-hambatan dalam penerapan MAPP
- Terbawannya pemahaman di kalangan pengambil kebijakan di Pusat dan daerah provinsi dan kabupaten/kota tentang adanya opsi-opsi lain untuk menyampaikan pelayanan publik yang lebih efektif dan efisien
- "Cetak biru" untuk menguatkan peran MAPP yang di hasilkan

## Faktor Sukses MAPP-DSF

- Aktor utama dari Pemerintah dilibatkan
- Koordinasi lebih baik antara beberapa instansi Pemerintah (Komponen DDN, Bappenas, Depkeu, Sektoral supaya semua aspek dimengerti ...)
- Rencana Strategis MAPP Pemerintah
- Berdasar pengalaman dan realitas di Indonesia
- Desiminasi informasi ttg MAPP
- Rangka hukum / regulasi yang jelas
- Berapa proyek MAPP percontohan
- Fasilitasi / koordinasi oleh Pemerintah

Lihat Kerangakan Logika dalam Laporan Pendahuluan AMSD-DSF, Tabel 1 dan di "uraian Singkat Proyek AMSD-DSF"
Slide 19

Aktor utama ada disini hari ini?

(ARE-IN) = Authority, Resources, Expertise, Information, Need

Slide 20

Explorasi Semua Aspek PLU

Puisi = "The Blind Men and the Elephant"

Slide 21

Analisa Lingkungan Institusional Saat ini:

- OTDA "Grand Strategi" sudah ada
- Banyak aktor (DDN, Pemerintah, Donor) main di bidang dalam "peningkatan kinerja pelayanan publik"
- PUM / Direktorat Dekon dan Kerjasama berada diantara aktor tersebut
- DSF masih mau membantu
- Kontrak Hickling masih 4 bulan (no-cost extension)
- PUM / Depdari perlu kegiatan intern – pengembangan pengetauhan mengenai MAPP dan strategi tentang peningkatan pelayanan publik dengan MAPP
Slide 22

Status Kontrak AMSD-DSF Saat Ini

- Laporan Pendahuluan selesai
- Penilaian awal (kerjas Kerangka) selesai:
  - Teori dan Praktek
  - Kerjasana hukum dan regulasi
- Kegiatan selanjutnya baru mulai (sisa 4 bulan s/d Feb. 2009)

Slide 23

Tindak Lanjut AMSD-DSF?

- Perkerja lapangan (studi kasus) dalam konteks memperjelas elemen “CETAK BIRO”
- Kerjasama PUM / Tim menyusun “Cetak biru” dengan pendekatan “proses workshop”
- DSF mendukung Working Group thn 2009 seterusnya

Slide 24

Unsur Unsur Cetak Biru MAPP?

1. Penyesuaian rangka hukum dan regulasi sesuai kebutuhan
2. Percontohan / efek cerah / pilot-project
3. Cara Diseminasi informasi yang baik
4. Peningkatan Kemampuan Pemerintah Pusat (“menjual / mewasitkan”)
5. Manajemen Upaya / Perubahan
- Terima kasih atas waktu Bapak dan Ibu Sekalian...
- Siapa mau ikut (ke lapangan dan upaya menciptakan Cetak Biru?)
- Kapan kita dapat bertemu lagi?
1 Introduction.................................................................................................................................................. 1

2 Pemda and Central Government Needs.................................................................................................... 4

3 Identification and Discussion of Stakeholders ............................................................................................ 5

3.1 Central Government Agencies ................................................................................................................ 5

3.1.1 Department of Home Affairs (MoHA) .................................................................................................. 5

3.1.2 BAPPENAS ......................................................................................................................................... 9

3.1.3 Ministry of Finance (MoF) .................................................................................................................. 11

3.1.4 State Minister of Administrative Reform ........................................................................................... 14

3.1.5 Line Ministries (Health, Public Works, Technical Components of MoHA, such as Minduk etc.) .... 17

3.1.6 State Auditors (Compliance Checkers) ............................................................................................. 17

3.2 Regional Government (Pemda’s “core / steering” agencies) ................................................................ 18

3.2.1 Service Delivery Role ....................................................................................................................... 18

3.2.2 Provincial Government in Role of “Pembina” .................................................................................. 19

3.3 Regional Councils (DPRD) ................................................................................................................... 20

3.4 Service Delivery Organizations (Dinas’ and their implementing units) ................................................... 20

3.4.1 The (Professional) Middle Managers .................................................................................................. 20

3.4.2 Top management of SDOs ................................................................................................................. 21

3.4.3 Board of Supervisors ........................................................................................................................ 22

3.5 Associations ........................................................................................................................................... 22

3.6 Private Sector and Community ............................................................................................................. 23

3.6.1 Private Sector – Users and Suppliers .................................................................................................. 23

3.6.2 Community and Private Individuals representatives ......................................................................... 24

3.7 Donors .................................................................................................................................................... 25

3.8 Personnel in DG _PUM .......................................................................................................................... 26

4 Current and Future Positions on the Grid ................................................................................................. 27

List of Figures and Tables in Text

Figure 1: The Stakeholder Grid .................................................................................................................... 3
Figure 2: Organization Structure of the Department of Home Affairs ........................................................ 6
Figure 3: Organizational Structure of Sub-dit PUP ....................................................................................... 8
Figure 4: Bappenas Organization Structure ................................................................................................ 10
Figure 5: MoF Overall Organizational Structure ........................................................................................ 12
Figure 6: Organizational Diagram, DG for Treasury Function, Ministry of Finance .................................. 13
Figure 7: Organizational Structure of MenPan ............................................................................................ 15
Figure 8: Organizational Structure of Lembaga Administrasi Negara (LAN) ............................................. 16

Table 1: Summary of Stakeholder Requirements ........................................................................................ 28

1 Introduction

This analysis updates and upgrades the analysis provided in the Inception Report. It is based on the premise that a “program” (the Program) for improving service delivery based on the eight (8) basic strategies of alternative service delivery mechanisms (AMSD) will be
established, under the coordination of the Directorate General for General Government Affairs (DG-PUM) and that specifically, the Directorate for De-concentration and Cooperation will act as “the Secretariat” to the governing structure of the Program. The Program has the objective of “promoting improved service delivery”, with day-to-day activities falling on a unit (the Unit) – in this case probably the Sub-directorate for General Public Services (Sub-dit PUP).

A successful program to improve public services, including by introducing and expanding the use of alternative mechanisms of service delivery (AMSD) needs to respond to the needs of key organizations and individuals who have a stake in its success. If its stakeholders are not satisfied with the objectives or its results in their eyes, trouble lays ahead. The challenge is then to identify the key stakeholders and their requirements.

The term “stakeholder” is often used interchangeably with actor, player, participant, beneficiary, clients and customer among others. That classification is important to designing and prioritizing responses to their requirements. But more importantly in the first place for a public agency, as would be any “Unit” to promote AMSD, including within DG-PUM, is to realize they must recognize who are the stakeholders with most power over their agency and to respond first to those stakeholders’ requirements.

Moving from a “make and sell” to a “sense and respond” orientation needed of central government units in the new decentralized world of government in Indonesia is a major challenge, especially when the “customer” (i.e. primarily regional government) has little power, which is how central units may see the situation so long as they are entirely funded from APBN and there is little sense of “mutual dependence”, i.e. interdependency between central and regional government. The “make and sell” orientation may be not such a danger once it is clear that the central government units offering useful service to regional government (in this case facilitation and assistance in improving service delivery), but until that state is reached, an imperative is for promoting AMSD is for the program to be highly responsive to key stakeholder requirements.

The following assessment characterizes key stakeholders by their relative power and their interest in a national program to improve service delivery, based on AMSD and this Blueprint. The types are actors, players, subjects and bystanders.

- **Stakeholder interest** concerns their interest in the AMD Program / Blueprint
- **Stakeholder power** concerns their power to influence the achievement of the Program’s strategic objectives or to resolve issues
- **Actors** have little personal interest but high power to affect an issue
- **Players** have both high interest and high power to affect outcomes;
- **Subjects** have high interest in but little power to influence the Program; and
- **Bystanders** have little interest in or power over the issues.

A stakeholder grid is constructed at **Figure 1** to help organize thinking about strategic objectives and design of the Program. Identification of stakeholders’ requirements is also explored.
**Figure 1: The Stakeholder Grid**

<table>
<thead>
<tr>
<th>Power</th>
<th>ACTORS</th>
<th>PLAYERS</th>
<th>SUBJECTS</th>
<th>BYSTANDERS</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• MenPan</td>
<td>• State Auditor</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• MoF</td>
<td>• Bappenas</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• SDOs</td>
<td>• Dept.Home Affairs</td>
<td>• Local Gov. owners</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• DG-PUM Personnel</td>
<td>• Tech. Depts</td>
<td>• Supervisory Boards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• DG-PUM Personnel</td>
<td>• DG-PUM Personnel</td>
<td>• DG-PUM Personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• IFIs and Donors</td>
<td>• Local Gov. owners</td>
<td>• Consumer Associations</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Customers</td>
<td>• Dept.Home Affairs</td>
<td>• Supervisory Boards</td>
<td></td>
<td></td>
</tr>
<tr>
<td>• Contractors / Consultants</td>
<td>• Local Gov. owners</td>
<td>• Non-customers</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
2 Pemda and Central Government Needs

Just as one of the AMSD strategic objectives is “customer satisfactions”, so should be one strategic objective of the management system for promoting AMSD as a means of improving service delivery. In effect a “walking of the talk”. But before “customers” can be satisfied the main stakeholders must be identified along with their needs, expectations and perceptions concerning AMSD and more broadly, improving service delivery. In this way it becomes possible to design strategies and actions to satisfy them.

A long listing of stakeholders:

1. Central Government Ministries responsible for policy setting (particularly the National Development Planning Board (Bappenas), Ministry of Home Affairs, MenPan, Ministry of Finance and technical departments and agencies)
2. The local government executives as represented by its senior executives, especially the Mayor or Regent, Chief Secretary (Sekda) and Chairman of the Local Development planning Board (Bappeda);
3. Local politicians, typically sitting in Commissions B and D
4. The service delivery organizations (SDOs) in Pemda, their top managers / directors and their employees
5. Any supervisory boards (e.g. the Supervisory Board (Badan Pengawas) of BUMD and other “badan”
6. Local community, served and un-served by the water company
7. Private and “third sector” organizations
8. SDO “associations” (e.g. the Association of Regional Hospitals)
9. Personnel in the central Unit targeted to manage the Program
10. “Donors’ such as the DSF, World Bank, Asian Development Bank (ADB), bilateral agencies such as USAID, CIDA and Australian Aid etc who have an interest particularly through the funds they provide for SDO development
11. The National Audit Agency (BPKP)
12. The various education and training institutions within local government, the technical departments and agencies, and the core departments, such as Home Affairs
13. Others, being the private sector contractors and investors, consultants and others who do business with SDOs in some way.

Not included here is the community at large, because it is felt that they are too removed from service delivery (especially from being able to influence it) to be able to influence a central program to improve it. Many of the above directly affected stakeholders would have the community however as “directly affected stakeholders”. However, finding a way to make this group an effective stakeholder (perhaps through establishment of “Community advisory Boards) is one of the basic strategies of AMSD.

The following needs and concerns are perceived among some of the directly affected stakeholders.
3 Identification and Discussion of Stakeholders

3.1 Central Government Agencies

This group needs a particularly wide range of “results’ form a AMSD Program, including information in order to develop policy, allocate funds, and provide the technical inputs they see as necessary. Further, they all have a vested interest in maintaining their own current systems, which have basically failed to date to provide the innovations and coordination needed to promote rapid improvement of service delivery in Pemda. It is doubtful the Program could ever be able to serve entirely these needs.

3.1.1 Department of Home Affairs (MoHA)

Figure 2 shows the organizational structure of the Department. The Department is responsible for institutional affairs including production of performance and service standards, “facilitation” of performance improvement, monitoring “performance” and in general acting as the “architect” of the system of regional government, its regulator as well as the advocate for Pemda among other central agencies and “facilitators”).
Figure 2: Organization Structure of the Department of Home Affairs

Nb: some names have changed, but not the structure
The Department is responsible for promoting improvements in the institutional aspects of PEMDA with the objective of making them better governed, which in turn is expected to result in improved service delivery. Alternative mechanisms that improve service delivery have already been recognized as important, although guidance to PEMDA is not very specific, as the Initial Assessment on the Legal and Regulatory Framework for AMSD found.

As an example of MoHA’s position on service delivery, the “Grand Strategy for Implementation of Regional Autonomy” has seven so-called (7) “basic elements” – Element 6 of which is “Public Services”. While the technical aspects of any service are generally seen to be the responsibility of the relevant technical ministry, MoHA lead on organizational and institutional matters. This involvement may be strong – e.g. for regional banks, water enterprises and hospitals through far less involvement to non existent, say in port management.

Within the Department, the following have a special interest in AMSD:

- **DG for General Governance, Directorate for De-concentration Activities and Cooperation**, and in particular the Sub-directorates for promoting (1) cooperation between PEMDAs and the private sector (2) cooperation between PEMDAs and (3) general government services – known as Sub-dit PUP (Figure 3 exhibits the organization structure of Sub-dit PUP). Unfortunately this DG is sometimes seen as a “technical operator” and so may not have the power to drive major change, even more so as it is often regarded as the miscellaneous-task office of the MoHA. Nevertheless, while other components (say OTDA as the “architects” and BAKD as the “financial controllers” have key roles, no component of the Department has an overall coordinating brief and the “implementation” responsibilities of PUM. DG-PUM currently is an “actor”, but if they were to perform better the coordination role, they would be “a player”.

- **DG for Regional Autonomy (OTDA), Directorate for Regional Affairs (Functions)**, because they are responsible for functional assignments and working with the technical ministries to improve these on behalf of their clients, i.e. regional governments, are players because many of the service delivery problems can be traced back to lack of clarity in assignment of roles, responsibilities and authority. The Directorate oversaw development of PP 38/2007 on the division of functions. The Directorate in particular is focussed on encouraging central agencies to set norms, standards, procedures and criteria (commonly referred to as NSPK within the Department) for PEMDA as a workable means to improve the autonomous operation of PEMDA as well as to raise accountability. This directorate is a key stakeholder – it has a direct interest in promoting AMSD and it has the authority to improve the legal and regulatory framework once policy areas for improvement have been identified. They are a “player” because they have a big role in deploying AMSD strategy 1 (clarity of roles).

- **The Directorate General for Regional Development**: Have a particular interest in “economic services” – like markets and regional level infrastructure provision.

---

¹ The other basic elements are (1) functions of governments (2) institutions / organization (3) personnel (4) local finance (5) representation and (7) control / supervision. The Strategy is now a formal policy of MoHA since its signature by the Minister in late 2007. DG-PUM are supposedly responsible for the service delivery element.
Figure 3: Organizational Structure of Sub-dit PUP
• Sekjen’s Office, Bureau for Organization (BO). This office is the originator of the recently released PP 41/2007 that provides guidelines for PEMDA structure – what types of organization, how many, to do what. Any radical move to re-organize service delivery in PEMDA would be checked against this PP. *Biro Organisasi* therefore should be very interested in AMSD, especially any implications for organizational structure, which, in the end, is at the heart of most AMSD strategies. Their power comes from the interest of regional officials have in numbers and ranking of organizations because that determines who and how many “power positions” are available in any PEMDA. Structure also is important to budgetary processes. There is however a possibility that BO might object to the core AMSD of separating organizationally roles because their direction at present for Pemda is (the populist) one of “less organizations, more functions”.

• BO is also important because of the link to “Biro Ortala” in the regions. As an example of the possible effect on the Program, the Pilot Project in Banten Province is being sponsored by Biro Ortala. BO is probably an “Actor” until the AMSD program is further developed.

• DG for Regional Financial Management (BAKD), particularly the Directorate for Administration of Income and Regional Investment, which writes the rules concerning financial management of Service Agencies (BLUD) and regional government owned enterprises (BUMD). They have “budget power” and they are the promoters of the BLUD concept, which is well alignment with AMSD basic Strategy 4 (raising consequences of performance, primarily by moving to “enterprise management” and close proxies). BLUD are “players”.

• The Training and Education Body (Diklat): Diklat should be the channel through which capacity building is directed to Pemda, including that for AMSD. They enjoy a kind of monopoly over education and training activities at present (which AMSD Strategy 7 and 8 would advocate being broken), but they do not reach enough into Pemda to impact strongly at present. They tend to concentrate on improving “core - of – government” activities such as clarifying mission, planning, budgeting, implementation and monitoring and evaluation, the object of AMSD Strategy 1. Once the AMSD Program is underway, they could become “players”.

### 3.1.2 BAPPENAS

*Figure 4* exhibits the organization chart for BAPPENAS. Primarily in their role of promoter of new approaches, budget effectiveness and efficiency and monitoring and evaluation, BAPPENAS obviously has an interest and possibly the authority to change the policy framework to encourage AMSD. Even if is unclear whether they formally can drive change, their stamp of approval can go a long way to new mechanisms being adopted by other agencies. Units within the organization that should have a special interest and the authority to promote AMSD are under the Deputies for:

• Infrastructure; particularly the Directorate for Development of Cooperation between the Public and Private Sectors (although the infrastructure title may limit their authority to “infrastructure services”);
Figure 4: Bappenas Organization Structure

ORGANIZATIONAL CHART OF ECHELON I & II
STATE MINISTRY FOR NATIONAL DEVELOPMENT PLANNING/BAPPENAS
• The Centre for Public Procurement Policy; policy questions as to procurement by PEMDA of externally provided services which are obviously not grand-scale PPP or infrastructure;

• Regional Autonomy and Development, particularly the Directorate for Regional Autonomy with their interest in the functioning of autonomous but accountable PEMDA; and

• Natural Resources and Environment, Directorate for Forestry and Natural Resources Conservation, which oversees, among other matters, the functioning of regional water companies (PDAM) and sanitation services.

The challenge with Bappenas is that service delivery is not a single focus. There is no unit dedicated to delivering “improved service delivery – that is (a sometimes implicit) overall objective. There is another problem with Bappenas promoting innovative service delivery mechanisms. It is that the various sector “champions” are basically hidden within the Deputies and tend to follow the policies of their “mother” ministries. Some might say they have been captured by the technical departments, so when it come to advocating possibly different approaches to that which the technical department is promoting, they may not be as enthusiastic as could be expected. Overall, at this stage, Bappenas are seen to be more “actors” – i.e. high power but lower interest – than players. Their power however indicates their interest needs encouragement.

3.1.3 Ministry of Finance (MoF)

Figure 5 and 6 exhibits the organizational diagram of MoF and the key Directorate General in the MoF for AMSD – the Treasury. The Ministry of Finance plays a number of roles with respect to service delivery: financing SDO investments especially by passing through international financing, provider of debt financing, setter of financial management standards, and even as equity holder in the cases where the SDO / Pemda has defaulted on loan repayment are a few.

With respect to service delivery, the Directorate General of Treasury Function has a Directorate for BLU, which we believe should be a driver of AMSD at present – certainly of Strategy 3 (the consequences strategy of “enterprise management”) and 5 (empowerment of SDOs). Other units oversee the efficiency and effectiveness of BUMN/D and these should be interested and authorized to promote change with respect to how regional finances are obtained and used, be it via traditional arrangements or alternative mechanisms. Because of the broad mission of MoF however, they may not have the interest in AMSD to drive change at regional level.

Besides promoting BLUs, two other areas in which MoF will be interested in are (i) the “rewards and punishments” in Strategy 3 of consequences and (ii) the fundamental issue of funding and the question of whether more funding would lead to better service delivery or be a wasted resource. Obtaining approval for any “flexibilities” (for instance retention of a percentage of revenue collection as an incentive) that can be traded for increased accountability may require MoF approval.
Figure 5: MoF Overall Organizational Structure
Figure 6: Organizational Diagram, DG for Treasury Function, Ministry of Finance

Struktur Organisasi Ditjen Perbendaharaan

Direktorat Jenderal Perbendaharaan
Drs. Herry Purnomo, M.Sos.Sc

Sekretariat Direktorat Jenderal
Drs. Siswo Sujanto, DEA

Direktorat Pelaksanaan Anggaran
Drs. Paruli Lubis, MBA

Direktorat Pengelolaan Kas Negara
Drs. Tala Suntara, DESS

Direktorat Pengelolaan Penerusan Pinjaman
Drs. Sontaon Siregar, M.Soc.Sc

Direktorat Pengelolaan Dana Investasi
Langgeng Subur, Ak.MBA

Direktorat Pembinaan Pengelolaan Keuangan Badan Layanan Umum
V. Sonny Loho, Ak.MPM

Direktorat Akuntansi & Pelaporan Keuangan
DR. Hekinus Manao, Ak.M.Acc.CGFM

Direktorat Sistem Perbendaharaan
Drs. K.A Badaruddin, M.Sc
MoF is classified as an “actor” at present, but not far off a “player”. The AMSD Program should be strongly promoted with them as there is considerable alignment between the strategies and the policy direction that UU 17 / 2003 (i.e.) of rewarding performance.

One other “interest” that MoF should have in AMSD is the “flexible performance framework” and the ability that this has to raise accountability. Keppres 7/1999 introduced a mechanism called the “Accountability System for Government Agencies” (SAKIP) which at that time was championed by BPKP. This system requires every state agency, central or regional, to submit annual accountability reports. It has suffered over the years from two main problems – the inability (or unwillingness) of agencies to measure performance and report it using a set of performance indicators and (ii) lack of a real champion in central government. It is understood that a revised version of this SAKIP is now being prepared by the MoF. If so, AMSD is very well aligned with this initiative, and so MoF should be very interested in supporting and promoting an AMSD Program, particularly Strategy 3, so long as it is not seen as “competition”.

3.1.4 State Minister of Administrative Reform

Figure 7 exhibits the organizational diagram of MenPan. MenPan is really a coordinating ministry, because it has “under it” the Institute of State Administration (LAN) and the National Board for Civil Servants (BKN). The Deputy for Service Delivery in MenPan and the Deputy for Policy and Public Service Management Studies in LAN would appear to have an interest in examining and promoting alternatives for improving service delivery.

Further, MenPan is preparing a law on public services (due for enactment in 2009). This law apparently sets out standards of service and various rights and obligations, but does not deal with the mechanisms for delivery. However, MenPan should be driving changes in the administrative system, including ensuring that, however Pemda choose to provide a service, the administrative arrangements are effective.

MenPan have also been active in promoting the “customer focus” of AMSD Strategy 4 since release of customer survey guidelines in 2004 and establishment of service performance awards (for example the Abdi Cipta Negara award to heads of region), and SDO empowerment of Strategy 5, through systematic attempts to improve human resources, administrative fairness and complaints handling.

However there are potentially competing interests and even obstructions within MenPan to promoting alternatives. For example, while the basic AMSD strategy of “clarity of role (often through separation of the organizations playing these roles) would seem to be supported by the all, the deployment of the strategy often involves separation physically of the roles (in new organizations), which is a direction that some in MenPan appear to oppose.

LAN (see Figure 8 for the organization structure) has a reputation for being more innovative than MenPan. The Deputy for Policy and Public Service management Studies should be interested in AMSD, and may have some power to exert on line ministries, Bappenas and MoF, if adaptation of the AMSD strategies can be demonstrated to be effective. At an ideological level one must assume LAN support AMSD, for lack of other “strategic” approaches to service improvement – other than the “customer oriented” move away from the NPM.
Figure 7: Organizational Structure of MenPan
Figure 8: Organizational Structure of Lembaga Administrasi Negara (LAN)
Overall, it may be that MenPan have the power but not the interest, making them “actors” but not “players” because the tendency within MenPan to think of “standardization”. On the other hand, LAN has higher interest but not the power, making them “subjects”.

3.1.5 Line Ministries (Health, Public Works, Technical Components of MoHA, such as Minduk etc).

These Departments are able to influence PEMDA approaches to service delivery through a range of programs – for example:

(i) demonstrating AMSD through the services they are (still) delivering themselves
(ii) insisting PEMDA use AMSD in de-concentrated and “tugas pembantu” funding they disburse
(iii) as setter of norms, standards, procedures and criteria based on the sectoral laws they administer; and
(iv) influence exercised in their role as final arbiter under sectoral laws and regulations.

They have authority to promote AMSD, but perhaps lack the interest, especially as AMSD may not suit current patterns of rewards. In particular, AMSD strategies that reduce the authority of implementing SDOs might be threatening. The same might be said with respect to Strategy 2 (self-funding) because many still appear to believe that the central government has a legitimate role to play in the funding of all kinds of services. On the other hand, AMSD strategies that seek to capture scales of economy (Strategy 7) seem to be in favor. Further, a number are believed to have established more independent work units to promote PPP (so-called PPP Nodes), so this is a good sign with respect to Strategy 8.

Although formally technical departments are just that – institutional and organizational matters are supposedly the responsibility of MoHA and other core agencies - a good case can be made for these aspects being taken on by the technical agencies, ultimately through the sectoral laws. One reason is that performance and responsibility would be aligned – responsibility for performance in a particular sector could not be passed to others.

Overall, it is believed the technical departments and agencies have both an interest and enough power to be classed as “players”. A careful coordinating role of MoHA would emphasize their importance even to institutional and organizational innovations.

3.1.6 State Auditors (Compliance Checkers)

Any system will degenerate if standards are not maintained. The State Auditor – BPKP - (who is primarily concerned with probity in the use of state funds and increasingly for “internal consulting” – but is able to exert considerable influence through negative audit reports, which are mostly based on standards set by the Ministry of Home Affairs and Finance more so than technical departments. With their presence in te regoina and perceived power, they should be part of any coordinated effort to improve service delivery.
3.2 Regional Government (Pemda’s “core / steering” agencies)

3.2.1 Service Delivery Role

These cover those such as the Sekda’s Office, BAPPEDA and various Boards. These units traditionally have been more receptive to introducing innovate mechanisms in Dinas compared with the Dinas themselves because they suffer the complaints about service delivery but have not the information and probably authority to do much about it. BAPPEDA, as the final arbiter on funds allocation, and ORTALA, with responsibility for organizational structure and procedure should be interested and have some power over Dinas. Indeed, as demonstrate in Banten, ORTALA are very interested in AMSD and have some power, although to what extent they can influence SDOs and Bappeda remains to be seen.

It may be that their role of player is determined often by local dynamics between the Head of Region, these core agencies and the relationship between them and the service delivery organizations / operators, the Dinas and their implementing units. If the Head of Region is willing to work through the core agencies, AMSD may be easier to introduce in Dinas’.

Strategy 1 is the main arena of these agencies. While support can be expected for any effort to improve service delivery by putting pressure on the SDOs, it may be that they will resist the part of the AMSD strategy that calls for them to set clearer objectives for SDOs, to be better “owners” (Strategy 1) and to reward good performance (Strategy 3) while withdrawing from daily affairs of the SDOs and move to obtaining control through the setting of objectives and the establishment of “arms length” relationships (Strategy 5).

Generally, better performing SDOs mean jobs of local government executives are made easier, political masters are more easily satisfied and career prospects brighter. This applies especially to the accountability requirements under Government Regulation 3 / 2007 and follow-up legislation.

However, their concerns may not be in taking a longer term view of capacity building and may have unrealistic expectations as to the capacity of the SDOs and the rate at which this can be improved. There is a danger they will use the results selectively and in a punitive manner.

One problem at present is that they are ill informed of the existence of and benefits that can accrue from AMSD. One reason is that they receive most information about the SDO from the SDO itself, and technical agencies and others have some difficulty providing information to local government independently of the SDO. IN other words, Strategy 1 and 5 are needed.

It will be vital to the AMSD Program success that this group supports the AMSD initiative in a very open manner. Many SDO executives will not have strong incentives to participate fully in AMSD Program unless they are “allowed” to or see that senior members of local government are interested. For this reason the AMSD Program Unit should pay careful attention to the needs of executives in local government, keeping them fully informed of progress, issues and ways in which their leadership would be beneficial.
Currently these stakeholders have high power but, it is generally judged, low interest (as much from ignorance of the benefits of AMSD as any other reason) and so are “actors”. Increasing their interest will turn them from actors into “players”.

What are the requirements? Give them executive information they would not otherwise get.

• Current performance, especially financial and community perceptions
• Overview of AMSD strategies and understanding of how it helps them direct the business of service delivery and improvement
• who else is using it and their results
• how their SDOs are performing compared to past years and peers in general
• especially performance with respect to costs and ability to contribute to local-generated revenues; and
• priority areas for action.

At present it is clear that SDOs basically do what the core executive tells them. The Executive has the power, and (perhaps) the interest to be players. The key area to develop is their willingness to steer using objectives and policy, not inputs and interventionist management.

3.2.2 Provincial Government in Role of “Pembina”

The provincial governments have a role a “facilitator” of improvements in local governments. As seen in Banten Province, there is a desire at this level to help kabupaten / kota improve services, with incentives in fact being given to do this by central government – either in the form of “de-concentrated funding” or awards such as the “Abdi Citra Negara” managed by MenPan.

Provincial government sat this time are struggling to find a role as “facilitator”. Like many in central government, they most often do not have the information, knowledge or skills in the sector or in capacity development to be of real use to kabupaten / kota. And of course, it is mostly unclear whether they have any authority to intervene.

Under these circumstances it can be expected that Provincial Offices whose duties are most closely aligned with building capacity of government would welcome “system” developed in central government that help them perform their duties. The AMSD Program is well placed to provide the tools to help Provincial government play this role. Requirements then of provincial government’s with respect to the AMSD Program might be:

Provides a simple system they can use to help kabupaten and kota;
The logic of the strategies is clear
The tools that enable deployment of the strategies are available
Capacity building and support is available form central government to improve understanding of the above;
Success factors and pitfalls are in time recorded and disseminated to enable adaptation and development of the strategies
The “costs” of the program do not outweigh the “benefits” (which generally mean that in the early stages of deployment the “sponsor” (central government at present) fund a greater portion of the activities than might be expected); and Procines are appropriately recognized for their successes in introducing performance improvements (in this case using the AMSD Program).

3.3 Regional Councils (DPRD)

Local dynamics again are important, and especially committees on finances and services. DPRDs are influential if they are interested in the standards of service being delivered, do not become interventionist, are willing to allocate sufficient funds and are interested in the efficiency and effectiveness of their use. On this basis they have the power but their interest is likely to be location specific.

As the AMSD assignment progresses, the support likely from a DPRD for a pilot is a major criterion to be met for further involvement of the PEMDA because (i) they may have to approve a split in roles (Strategy 1) (ii) the payment of subsidies for service delivery using the PSO (Strategy 2), (iii) bonus and other incentives under Strategy 3 and sector re-structuring and participation of the private sector and community (Strategies 7 and 8). They are “players” on a par with the Executive.

3.4 Service Delivery Organizations (Dinas’ and their implementing units)

These organizations have the main responsibility for service delivery and so are central to introducing AMSD. One must question whether they have the incentive to do it though, given the low level of resources they are allocated currently, the general lack of accountability engendered by unclear objectives and measures of performance, and the asymmetries of information they enjoy over the “purchasers” in the core agencies. It is possible that there are in fact two stakeholders – (i) the top management and (ii) the middle managers, who tend to represent the interest of the SDO in the long term, while top managers need to be more “politic”.

3.4.1 The (Professional) Middle Managers

On the positive side, many of these agencies are experiencing strong pressures to improve performance and are undergoing change due to decentralization and democratization processes. The people being asked to do this on a day-to-day basis are middle (long-serving) managers. But their mission is frequently unclear and strategic objectives poorly defined and articulated. Frequent movements in and out of PEMDA of key staff and intervention from PEMDA and politicians often rob them of leadership, initiative and the consistency of strategy needed to develop service delivery. Although they are being required to be more accountable for performance of service delivery, they mostly have not the funding, skills or systems in place to measure and report on performance.

They will have mixed perceptions about the AMSD project. On one hand they will welcome it for the opportunity it provides for free training and skills upgrading. For those who are genuinely committed to improvement, the project also provides an opportunity. They will
see the possibility of improved performance that AMSD offers as strengthening their position and as good for the agency and individual careers.

3.4.2 Top management of SDOs

However, the project could also be seen as a threat by many, particularly the head of the SDO. Firstly, many may see no need for AMSD; “things are fine in my agency”. Secondly, if by cooperation with the project they expose themselves to further “intervention” or threatening action, they may perceive it better not to be involved. Particularly sensitive will be the threat that information exposed in the interest of self improvement will be used indiscriminately against them. They may see the handing over of data and reports on performance based on indicators and targets as giving up “knowledge power” to new groups such core government agencies, provincial and central government.

Certainly, they will also have mixed perceptions about AMSD. Most often AMSD could be seen as a threat by many:

- Firstly, many may see no need for performance improvement and capacity building; “things are fine in my SDO”.
- Secondly, if by cooperation with the project and use of AMSD strategies they expose themselves to further “intervention” or threatening action, they may perceive it better not to be involved. Particularly sensitive will be the threat that information exposed in the interest of “self improvement” will be used indiscriminately against them; and
- Thirdly, they may see the handing over of performance data as giving up “knowledge power” to new groups such as local government executives or even higher levels of government.

The managers of the SDOs have wide discretion over how the organization spends, including on performance improvement such as the AMSD initiative. Given they can pay for AMSD based improvements and so have the power to sustain the AMSD program, as well as being the potential targets of services, they must be classified as “PLAYERS”. Their Interest in the AMSD Program must be sustained and increased.

What do they want from the AMSD? It is likely to be something similar to the “value proposition” around which the customer focus (Strategy 4) is based. The “value proposition” they are looking for probably includes:

- Introducing AMSD strategies will provide a “functionality” that makes their jobs easier, such as it being simple to understand and use
- the results of performance measurement will be more accurate and consistent
- performance results arrive in time to help in setting the annual budget
- does not cost a participate and operate new systems that may result
- communications and relationship with higher “AMSD Promotional Units” are good
- they feel they have a voice in how they deploy AMSD strategies
- participating gives them kudos in the eyes of their peers and superiors
• does not work against them by exposing, embarrassing or giving others an excuse to apply pressure
• overall, delivers more benefits than it costs

One implication form these considerations is that the AMSD Program should “walk the talk” of Strategy 4 (Customer focus) and instigate “customer satisfaction surveys” and “compliant handling” mechanisms related to the Program and demonstrate the results are used. In this way, one of the most important stakeholders, will remain as “players”. Without that many will become actors – i.e. high power but low interest.

3.4.3 Board of Supervisors

This group is a special set – currently they only exist for PDAMs and regional banks, but under a flourishing AMSD program in which many SDOs begin to transit to BUMD (and possibly even BLUD) status, the interest of the group need attention.

They could gain particularly from the use of AMSD if they information generated by the FPA can help them monitor progress against the targets in the FPA or strategic / corporate plan, and inform it with respect to “stretch” targets perhaps not considered in the current corporate plan. However, being part-time and with members drawn from a range of backgrounds, they will have difficulty in developing a systematic approach to use of performance information and its framework, which they should at least be insisting the SDO executives adopt under Strategies 1 and 5.

The AMSD tools however represents an opportunity for Board members to make a difference to the way in which their SDO performs, and gives them good access to local government executives if they are able to open a dialogue using the AMSD / FPA framework of strategic objectives. They will be looking for support from the AMSD Program or the Sub-dit Unit / Team, which may not be so easily provided because of budget and constraints and lack of competence.

Given the asymmetries of information the Board members suffer with respect to top management (the Directors) of BUMD at present, Board members have little power but a high interest. AMSD strategies could be of great benefit to them if used in the strategic planning process of their SDO. An objective of the AMSD program should be to increase the power of the Board members to move them from “subjects” (and even “bystanders” in some cases) to into “players”. Their current low power means they are not a priority, but could become one if the proposed law on local government owned enterprises is promulgated.

Their requirements? The Board will want information on (1) the generic strategy the AMSD based Flexible Performance agreement is based on (2) on the meaning of the indicators, and (3) on processes they can use to encourage the top managers to use them.

3.5 Associations

As the representative of the SDOs and Pemda, they should see AMSD as a tool to help their members improve performance. They are well placed to facilitate a AMSD Program and
stand to gain from the perceived willingness of SDOs and other stakeholders to deal their associations more than say with government departments.

There is however some potential for a conflict of interest to emerge in seeking support of AMSD. As representatives of Pemda, they may be seen to support a improvement approach which is not necessarily in the interest of its key members (heads of regions and head sof SDOs).

Requirements? The Associations executives are very sensitive to criticism from its members, especially the ten or so key Pemda executives who fill the various (part-time) posts. The Associations therefore may require:

- be seen to be efficiently using members funds when they support a particular program
- have a growing and satisfied membership by supporting practical program
- not upset the key “Directors”
- the AMSD Program is unobtrusive
- maintains an accurate and consistent set of data
- the personnel of any “unit” promoting AMSD do not disturb other Association personnel.

3.6 Private Sector and Community

3.6.1 Private Sector – Users and Suppliers

There are two groups – (i) those who receive a service from the current publicly-owned service deliverer and (ii) those who do, or hope to do business with it in some way. It is often the main contributor to income of the more commercial public services through payment of industrial and commercial charges and will benefit greatly from more “pro private sector” policies of PEMDA and their agencies. With democratization and decentralization their voice is now much stronger and should be a valuable ally to reform minded PEMDA executives.

Their involvement through various forums offers the chance for them to introduce to service delivery agencies the techniques the private sector has used for years to improve performance. More importantly, they can help inform PEMDA of the capacity in the private sector that PEMDA and its agencies have not yet tapped.

The private sector may however be seen by many within PEMDA and especially existing agencies as a threat and therefore to be excluded. It will be important therefore that PEMDA and the Service delivery agents receive information on the appropriate roles of the public and private sector, and understand the community perceptions in relation to who the community believes should have information on performance.

Private investors in public services also are interested in being more involved in services, particularly infrastructure services and the potential they offer for profit. Typically they have different interests though, depending on their mission: for example:
• minority equity providers to the service delivery organization (particularly PEMDA at present with respect to their BUMD) typically would focus on profitability and existence of strong operational / management indicators;

• commercial bankers (and often PEMDA owners) are typically interested in short term lending and so have a cash flow focus,

• providers of debt financing (bondholders and multilateral agencies and central government) taking a longer term position tend to be interested in the ability to service debt each year and so focus on debt servicing capacity; and

• investors looking for majority ownership, would, besides profitability, probably look for a set of weak operational / management indicators in the existing service deliverer which they could turn around quickly.

Local branches of business organizations such as APIINDO and GAPPIINDO should also be interested.

3.6.2 Community and Private Individuals representatives

These groups should represent important stakeholders because they are the end-user of services or the potential suppliers of many of the community needs. Unfortunately, in reality, they have little power as individuals, but as noted, AMD Strategy 8 includes giving voice to the community, which generally means developing Community Advisory Boards and finding ways for the community to influence SDO decisions.

The community representatives should be advocates of service users (individual households etc) or as representatives of communities that might be targeted as potential providers of services that the SDOs are unable to provide. The community will not be particularly interested in the mechanics of AMSD, they are mainly concerned that service deliverer provide a reliable service, do not hide information and disregard community needs, as they often currently experience on a daily basis.

Community groups, in representing customers, should be a valuable source of independent information for SDO executives on quality of services. They can also inform the SDO on “what the customer needs” and can act as a check against creation of “self-serving” plans of SDO or local government. Community involvement is also important to seek from the outset, because in the end it will be the quality of the dialogue between the service deliverer (or regulator) and community that determines the willingness of the community to pay for the services proposed by the SDO.

Building support to the City Forum or Consumers’ Groups (if they exist) in the form of providing information on levels of service, AMSD strategies intended and unfolding etc should be one important thread in the activities of the AMSD Promotion Unit.

Unfortunately very few user groups exist at present, despite central government having encouraged their formation for some years. Therefore community overall have low interest (or low inclination at present) and low power and so are just “bystanders”, but as consumer groups such as the Consumer Associations encouraged by Law 8/1999 emerge, their interest is likely to re-classify them “subjects, if not players.
Requirements at that stage will include: information of quality, quantity, coverage and continuity; costs and “value for money”, which may come from comparison with peer communities.

3.7 Donors

This stakeholder group is particularly interested in (1) the ability of the PEMDA and their service deliverer to utilize efficiently and effectively the funding they provide and (2) the impact of their funding on the service the PEMDA provides. The AMSD is relevant in both these aspects, as it will promote alternatives with which many donors may be familiar.

Within the donor stakeholders are the actual funders of AMSD, the “Decentralization Support Facility” (DSF), a multi-donor fund administered by the World Bank. Their mission is to promote decentralization. AMSD helps with this objective by:

1. offering tried and proven alternative mechanisms;
2. establishing standards and benchmarks which can be used by all PEMDA;
3. providing government and public sector service delivery agencies with the knowledge and tools to manage more autonomous service providers, including those from the private sector; and
4. providing information to service delivery regulators.

More generally, this stakeholder group is particularly interested in (1) assessing the ability of the SDOs and local government to utilize efficiently and effectively the funding they provide and (2) the impact of their funding on the service the SDO provides. AMSD, the Flexible Performance agreement and performance measurement and management is particularly relevant in both these aspects, as it will provide information on the current objectives and “health” of SDOs that may be candidates for their support and that could be used to monitor the outcome of support over the mid-term.

There is however some tension between this objective and the self-help objective for the AMSD Program held by DG-PUM. While the self-help objective will tend to deliver a set of objectives, agreements and indicators of inputs, process and outputs tailored for individual circumstances over time, the “health” indicators for donors may be more “immediate results” oriented and demand high accuracy, broad consistency and universal relevance, which is difficult to achieve as the new “performance management” system is being built.

Within the donor stakeholders are the actual funders of the many improvement programs (including in time AMSD related programs) there is a group who particularly favor “new public management” (NPM) techniques, many of which appear among the AMSD Strategies. These groups can be targeted for support of the AMSD Program; they are often involved in financial management reform. Another group are those promoting “Public Private Partnerships (PPP). Their mission is to promote the role of the private sector and to encourage cooperation between the public and private sector in the provision of infrastructure (i.e. to make success AMSD Strategy 8). The AMSD Program helps with this objective by:

1. placing performance information on public sector service providers into the “market” for access by the private sector.
(2) establishing benchmarks which can be used by all operators, public or private

(3) providing government with the tools to professionally manage state-owned service providers more autonomously, and so lowering entry barriers for other operators, including those from the private sector, and

(4) providing information to independent regulators to use in lieu of market competition.

The majority of new investment since the 1970s has been financed by international financial institutions, and it is likely to continue this way for some years. International financiers and donors should thus be both interested and powerful. The experience however is that they are powerful, but not so interested once the project financing deal has been completed. This makes them “actors” once financing is complete. Getting them using the AMSD strategies, and especially the “contactualization”: aspects of AMSD to measure and manage operational performance in their projects, and so demonstrating AMSD’s importance to others, should be an objective of the AMSD Program Unit.

Requirements? Projects designed and implemented often have difficulty in establishing the institutional and organizational development aspects, although the attention is rapidly increasing to this area as the only real means to donor project sustainability. The AMSD program should:

- Offer “ready-made” institutional development approached to many donor projects
- Provide data, indicators and results compatible with (their own) international standards;
- Provide “pre-informed” clients;
- Data on successes and failures in the Indonesian context
- Act to demonstrate that Indonesia is beginning to take ownership of its own development strategies, as agreed in the Paris and Jakarta Commitments.

3.8 Personnel in DG - PUM

These personnel (particularly in Sub-dit PUP, if they become the managers of the AMSD program) are obviously players. However, it is unclear what incentives they have to make a AMSD (or any other) Program a success, yet they obviously have huge potential to influence the outcomes, especially with respect to quality objectives.

They are also constrained by the level of power and resources delegated to them by the Director and DG, which makes them more subjects than actors or players.


The design of AMSD Program described in the Blueprint, and especially the way it is managed, must take into account the foregoing analysis.
4 Current and Future Positions on the Grid

Figure 1 locates these key stakeholders on the Stakeholder Grid. Strategies that should be the immediate objective of those managing the Blueprint are indicated to include:

1. Moving “actors” into the “players” quadrant by increasing their understanding and interest in the AMSD Program; and
2. Addressing the needs of both actors and players, but especially players, because their high interest is likely to make them willing to support the Program.

Activities under the Blueprint should include efforts to improve stakeholder support; the activities might include:

- determining customer (certain central agencies, province and kabupaten / kota) requirements
- communicating widely about the existence of the AMSD Program, its objectives and strategies, and progress
- marketing activities are particularly indicated in this grid as it is unlikely that those in the low power groups will acquire it quickly or that the AMSD Program can do much to help them immediately.

Early targets of the Program activities might be to build stronger support in the Ministry of Finance, Bappenas, MenPan and then BPKP and technical departments. Given the power of the Ministry of Home Affairs to change institutional arrangements, and assuming interest is not the issue, then the focus should be engaging the other agencies. The AMSD Program can attract their interest by:

(i) careful targeted marketing of the comparative advantages offered by the Program
(ii) explaining how it aligns with their own programs
(iii) demonstrating the success of the Program and
(iv) providing opportunities for key persons to learn about the Program.

Table 1 summarizes the possible requirements of the key stakeholders. More understanding is needed of their requirements, so actions to satisfy them can be designed into the Plan, to move some from actors to players, and to convert a potentially “negative” interest (i.e. opposition) to a clearly supportive stance in the case of MenPan and technical agencies.

In the case of the MoHA Executive, a well prepared and continually updated strategic plan based on this Blueprint, with monitorable indicators, may be what is needed to ensure the Program Unit in DG-PUM gets the resources and autonomy desirable for improved motivation.
<table>
<thead>
<tr>
<th>Key Stakeholder and Direction</th>
<th>Possible Stakeholder Requirements</th>
</tr>
</thead>
</table>
| 1 Service Delivery Organizations (SDOs)  
Power is reasonably high because they hold the information and (with approval Pemda) determine “how things are done. But interest may need raising.” | - does not cost a lot to be a introduce AMSD strategies  
- they feel they have a voice in the reform process  
- overall, delivers more benefits than it costs  
- the AMSD reforms have a functionality that makes their jobs easier, such as it being simple to understand and use; delivers benefits quickly  
- the AMSD reform improves consistency in behavior of Pemda masters  
- AMSD help in setting the annual budget  
- communications and relationship with AMSD promotional unit is good  
- participating gives them kudos in the eyes of their peers and superiors  
- does not work against them by exposing, embarrassing or giving others an excuse to apply pressure |
| 2 Local Government Owners / Executive  
High power to force participation, but lower interest, mainly because of lack of appreciation of benefits. Must be raised. | - Knowing about current SDO performance, especially financial  
- who else has/is adopted AMSD strategies and their results  
- how their target SDO are performing compared to past years and peers in general  
- especially performance gains with respect to costs of the AMSD program  
- ability of AMSD to improve contribute to local-generated revenues; produces priority areas for action in line with local political agenda  
- Overview of the AMSD strategies and understanding of how it helps them  
- Enables them to retain “control” (which can be “good” or “bad” control). |
| 3 DG-PUM Executive  
interest is high, but need more understanding if power is to remain high | - Seen to be new idea from PUM  
- Generates interest from donors and MoF / Bappenas for funding  
- the ability to use some of the funds to pursue wider other objectives  
- be seen to be efficient with funds  
- have a growing and satisfied “membership” of service delivers  
- not “upset” the rest of MoHA, particularly OTDA, BAKD, Setjen  
- does not disturb current “bread and butter” programs |
| 4 Technical Departments / Agencies.  
Provides a number of strategies that complements their own, if any. High power (and high interest if convinced the strategies are good) | - Given them a clear role  
- Complements their own programs / approaches  
- Does not appear to being conceding their “technical turf” to MoHA  
- Provides a logical setoff strategies that makes it easier for the to play a supporting roles ID/OD  
- Offers opportunities to fund areas that they feel are under-prioritized  
- Enough ambiguity initially to ensure their “projects” can continue |
| 5 Home Affairs, State Auditor; MenPan, Bappenas. Need to raise interest by convincing them AMSD complements their systems. Enables MoHA to show others they are complimenting other’s efforts | - responds to need to sharpen the “Grand Strategy for Decentralization”.  
- provides data/information which helps them do their own job better  
- addresses “good governance” and “due process”  
- complements BPKP/MoF/ MenPan own efforts (SAKIP)  
- also employee satisfaction indicators composed from composite measures  
- adapt software to rank according to their indicators  
- week statement from Auditor that Benchmarking Indicators will be considered as valid as any other standard during audits |
| 6 International Funders  
Raise interest sufficiently to specify use of approach with in the ID/OD component of their own projects | - approaches/strategies compatible with their own approaches;  
- accurate and timely information on results;  
- can produce data and indicators relevant to their own project objectives  
- provides an ability to cut down on project preparation costs  
- improves operating systems & performance while investments ongoing. |
Appendix G

Analysis of Survey of Key PEMDA Officials
Analysis of Survey of Some Senior Officials from Kabupaten / Kota in Banten Province Concerning various AMSD Strategies and Practices in Their Introduction

Contents List

Contents List ..........................................................................................................................................1
1 Background ...................................................................................................................................1
2 2. The Survey ................................................................................................................................1
3 The Analysis..................................................................................................................................2
4 Results of the Analysis..................................................................................................................2
4.1 Within Categories.................................................................................................................2
4.1.1 A. The Eight AMSD Strategies .......................................................................................2
4.1.2 B. The Critical Success Factors for the Flexible Performance Agreement .................3
4.1.3 C. Flexibilities (“Autonomies”) that might be Granted..................................................4
4.2 Between Categories ..............................................................................................................4
4.3 Individual Practices across the Three Categories ...............................................................6
4.4 Summary of Practices that Might be Prioritized.................................................................7
5 Introducing AMSD – Where to Enter? ........................................................................................8
Attachments ...........................................................................................................................................9
Attachment 1:  Questionnaire........................................................................................................10
Attachment 2:  Analysis by Categories and Practices within Category.................................15

1 Background

AMSD are a collection of strategies that have been found to often be effective in improving service delivery. The strategies may be adopted in Indonesia, but more likely will need adaptation to local institutions. For example, it is not clear that Head of Regions will give the operational autonomy needed to the SDO (the SKPD) to allow the deployment of the “meta-strategy” of trading increased autonomy for increased accountability.

Three key areas require piloting (i) the general applicability of the 8 basic strategies – which ones can most easily be adapted, which are most challenging etc (ii) what are the most important success factors and (iii) what “flexibilities” (or forms of autonomy) might be granted the SDO in return for the increased accountability that the use flexible performance agreements and the use of performance indicators and targets will bring.

2 2. The Survey

To provide some early answers to these questions, a survey was conducted among officials at a workshop in Banten Province on December 12, 2008. The survey was divided into three categories:

A. List of the 8 basic strategies of AMSD
B. List of 12 “Critical Success factors” for introduction of the “Flexible Performance Agreement”; and

C. List of possible “flexibilities” that might be included in the FPA in the trade for increased accountability.

The questionnaire was put in “bi-variate form”, that is, two questions were asked concerning each “practice” within the category – (1) to what degree has this practice been adopted (or is relevant) and (2) how important is this practice in your situation? The questionnaire is shown in Attachment 1.

It was administered at the end of the day-long workshop to the participants – 10 of whom returned the questionnaire - so it is believed the respondents were reasonably familiar with the AMSD strategies. The answers may not be highly statistically significant, but they do give a direction for activities under the pilot AMSD projects.

3 The Analysis

The accumulated analysis of each “practice” within each of the 3 categories is shown in Attachment 2.

The “gap” between the “degree of adoption” (“BP”) and “the importance” (“TP”) is the key parameter. The larger the gap, the more likely that the respondents feel that the practice needs attention. The final column ranks the practices based on the size of the gap – the larger the gap, the more important it may be to address that practice under the AMSD pilots.

The analysis can then be done (i) within each category (ii) after aggregating each category, between categories, and (iii) across categories, but for each practice. This analysis enables some identification of “entry points” for the pilots.

4 Results of the Analysis

4.1 Within Categories

Table 1 shows the ranking of each practices compared with other practices within the same category.

4.1.1 A. The Eight AMSD Strategies

First priority strategy: Within category A (the 8 basic AMSD strategies), strategy 8 (participation of the private sector and community has the largest gap (1.5), and so appears to be the area the respondents thought best to pursue.

Second Priority Strategy: Increasing customer focus (gap of 0.300) and cost recovery ranked equally.
Lowest priority for action: Sector structure (gap of 0.000) and SDO empowerment.

Comment: The “meta strategy” of performance contracts embodied in Strategy 1 was not tested explicitly. The two lowest priorities may reflect the view from among the participants that the SDOs (dinas / SKPD) themselves are fundamentally the problem and beyond help. None of the participants were from SDOs.

Table 1 Ranking of Practices within Categories

<table>
<thead>
<tr>
<th>ID</th>
<th>P No.</th>
<th>Practice</th>
<th>Total Resp.</th>
<th>Mean Score</th>
<th>Gap</th>
<th>Action Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>Agree? (0-5)</td>
<td>Ideal</td>
<td></td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.01</td>
<td>A. 1</td>
<td>Clarity in objectives, roles, authority and accountabilities</td>
<td>10</td>
<td>4.30</td>
<td>4.40</td>
<td>0.10</td>
</tr>
<tr>
<td>1.02</td>
<td>A. 2</td>
<td>Put a price (cost) on the service, which as much as possible covers the costs</td>
<td>10</td>
<td>3.90</td>
<td>4.20</td>
<td>0.30</td>
</tr>
<tr>
<td>1.03</td>
<td>A. 3</td>
<td>Adopt more use of “rewards and punishments” (i.e. there must be consequences)</td>
<td>10</td>
<td>3.90</td>
<td>4.00</td>
<td>0.10</td>
</tr>
<tr>
<td>1.04</td>
<td>A. 4</td>
<td>Empower the customer (put the customer “in the driving seat”)</td>
<td>10</td>
<td>3.90</td>
<td>4.20</td>
<td>0.30</td>
</tr>
<tr>
<td>1.05</td>
<td>A. 5</td>
<td>Empower the Service Delivery Organization (SDO) with the government</td>
<td>10</td>
<td>4.00</td>
<td>4.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1.06</td>
<td>A. 6</td>
<td>Change the culture of service delivery organization from bureaucratic to more entrepreneurial</td>
<td>9</td>
<td>3.33</td>
<td>3.56</td>
<td>0.22</td>
</tr>
<tr>
<td>1.07</td>
<td>A. 7</td>
<td>Restructure the particular service sector to provide clarity, improve incentives</td>
<td>10</td>
<td>4.00</td>
<td>4.00</td>
<td>0.00</td>
</tr>
<tr>
<td>1.08</td>
<td>A. 8</td>
<td>Participation and empowerment of the private sector and community</td>
<td>2</td>
<td>2.50</td>
<td>4.00</td>
<td>1.50</td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.01</td>
<td>B. 1</td>
<td>Mutual understanding on <em>performance</em>.</td>
<td>10</td>
<td>2.70</td>
<td>4.10</td>
<td>1.40</td>
</tr>
<tr>
<td>2.02</td>
<td>B. 2</td>
<td>Full support from Head of Region.</td>
<td>10</td>
<td>2.70</td>
<td>4.30</td>
<td>1.60</td>
</tr>
<tr>
<td>2.03</td>
<td>B. 3</td>
<td>Fair facilitator during negotiation.</td>
<td>10</td>
<td>2.50</td>
<td>4.20</td>
<td>1.70</td>
</tr>
<tr>
<td>2.04</td>
<td>B. 4</td>
<td>Pemda do not intervene at micro level after FPA commences.</td>
<td>10</td>
<td>3.00</td>
<td>3.80</td>
<td>0.80</td>
</tr>
<tr>
<td>2.05</td>
<td>B. 5</td>
<td>Routine feedback provided by core government after FPA commences</td>
<td>10</td>
<td>2.90</td>
<td>4.20</td>
<td>1.30</td>
</tr>
<tr>
<td>2.06</td>
<td>B. 6</td>
<td>Resources agreed in FPA are made available, generally for more than one year.</td>
<td>10</td>
<td>3.60</td>
<td>4.20</td>
<td>0.60</td>
</tr>
<tr>
<td>2.07</td>
<td>B. 7</td>
<td>KPIs based on a balanced set of perspectives.</td>
<td>10</td>
<td>3.00</td>
<td>4.10</td>
<td>1.10</td>
</tr>
<tr>
<td>2.08</td>
<td>B. 8</td>
<td>Some accountability exists to the community.</td>
<td>10</td>
<td>3.50</td>
<td>4.00</td>
<td>0.50</td>
</tr>
<tr>
<td>2.09</td>
<td>B. 9</td>
<td>A fair regulator available during FPA implementation.</td>
<td>10</td>
<td>2.50</td>
<td>4.00</td>
<td>1.50</td>
</tr>
<tr>
<td>2.10</td>
<td>B. 10</td>
<td>Risks considered and contingency plan B is available.</td>
<td>10</td>
<td>2.90</td>
<td>4.30</td>
<td>1.40</td>
</tr>
<tr>
<td>2.11</td>
<td>B. 11</td>
<td>Reports on performance are prioritized.</td>
<td>9</td>
<td>3.22</td>
<td>3.89</td>
<td>0.67</td>
</tr>
<tr>
<td>2.12</td>
<td>B. 12</td>
<td>SDO headed by committed and skilled leader.</td>
<td>10</td>
<td>3.30</td>
<td>3.80</td>
<td>0.50</td>
</tr>
<tr>
<td>C. The Areas of Flexibilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3.01</td>
<td>C. 1</td>
<td>Concerning and planning and management of the budgets.</td>
<td>9</td>
<td>4.11</td>
<td>4.50</td>
<td>0.39</td>
</tr>
<tr>
<td>3.02</td>
<td>C. 2</td>
<td>Concerning management of personnel.</td>
<td>9</td>
<td>3.44</td>
<td>3.88</td>
<td>0.43</td>
</tr>
<tr>
<td>3.03</td>
<td>C. 3</td>
<td>Concerning the public procurement process.</td>
<td>9</td>
<td>3.89</td>
<td>4.00</td>
<td>0.11</td>
</tr>
<tr>
<td>3.04</td>
<td>C. 4</td>
<td>Concerning other services (“support services” provided by Pemda) that were not addressed.</td>
<td>8</td>
<td>3.38</td>
<td>4.00</td>
<td>0.62</td>
</tr>
<tr>
<td>3.05</td>
<td>C. 5</td>
<td>Other (describe):</td>
<td>0</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Mean: 3.23, 3.92, 0.69

*Agree = Mean Score from respondent / “Agree?” = adalah Skor Rata-rata dari responden

4.1.2 B. The Critical Success Factors for the Flexible Performance Agreement

First priority factor: Within Category B (the 12 Critical Success Factors), the ability to get a fair negotiator of the FPA was considered the most important for success (gap = 1.70). Given that the “degree of importance is capped at “5”, the large gap here would mean the respondents perceive that getting such a fair minded person / organization will be difficult. Second Priority factor: Getting full support of the Head of Region (gap = 1.60).

Lowest priority factor: This was shared between “community empowerment” and “a skilled head of the SDO / SKPD”. One would be tempted to say the respondents are wrong, but it may reflect
their skepticism concerning the ability of the community to play a useful role in the currently emerging governance conditions, and the earlier skepticisms concerning quality of heads of SDOs.

Comment: In general, there is a good deal of skepticism among the respondents that “fairness” exists in the regional governments arrangements. One of the critical success factors of the FPA is to get all parties to honor their commitments; this area will be very important to discuss with Regents / Mayors.

4.1.3 C. Flexibilities (“Autonomies”) that might be Granted

First priority flexibility: Within Category C (the 4 “flexibilities” that might be granted in return for more accountability), the flexibility of being able to choose support services from sources other than Pemda (gap = 0.63) was seen as most useful (or the most easily granted).

Second Priority Flexibility: Management of personnel (gap = 0.43).

Lowest priority flexibility: Public procurement regulations are seen as the most difficult to change.

Comment: As during the workshop, respondents had difficulty imagining that “officials” would be willing to relax rules, especially those associated with financial and procurement matters. Finding the “rewards” needed to encourage more accountability will be a challenge. This makes the “consequences” strategy very dependent upon mobilizing the incentives that “enterprise management” offers.

4.2 Between Categories

Table 2 shows that Category “B” (practices that may be critical to success) overall has the largest gap between current and desirable situation. This is interpreted as the respondents believing the most difficult challenge is introducing and sustain the AMSD strategies, rather than the “technical” aspects of AMSD – the strategies and the authority that could be granted in return for more accountability.

Another way to interpret this result is that the resistance with respect to introduction of AMSD is likely to lay with matters of power and process, not so much the technical substance. “Entry points” there might be considered which either address areas of resistance earlier or later, depending on local dynamics.
### Table 2  Top Priority Category of Practices

Based on analysis of 10 of 10 questionaires

<table>
<thead>
<tr>
<th>Audit Category</th>
<th>Scores</th>
<th>Priority</th>
<th>Resistance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Perfm</td>
<td>Impt</td>
<td>Gap</td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td>3.73</td>
<td>4.04</td>
<td>0.32</td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.99</td>
<td>4.07</td>
<td>1.09</td>
</tr>
<tr>
<td>C. The Areas of Flexibilities</td>
<td>2.96</td>
<td>3.28</td>
<td>0.31</td>
</tr>
</tbody>
</table>

3.23 3.80 0.57

**Note / Catatan**

1 Perfm = current degree to practice has been adopted
   / Perf = derajat kebiasaan menurut responden
2 Impt = degree of importance placed on the practice by the consultant /
   Impt = Derajat kepentingan kebiasaan menurut konsultan
3 Gap = difference between degree of adoption and importance /
   Gap = Kesenjangan antara Perfm dan Impt.
4 Resistance = Expected degree of resistance to change in the category identified based on gap (1 = highest priority) /
   Resistance = Derajat menentang dalam category berdasarkan Gap (1 = paling rentang)
5 Resistance *1* is the category of practices that has the largest gap between respondent and consultant assessment.
   It may be the category with the greatest need for action, but it will be the most resistant to change.

"Resistance *" adalah category dengan kesenjangan antara derajat pesetujuan responden dan piriran kepentingan konsultan. Category itu mungkin butuh perhatian, tapi juga mungkin paling rentang terkait perubahan.
### 4.3 Individual Practices across the Three Categories

Table 3 shows the ranking based on gap when all practices are compared across categories.

<table>
<thead>
<tr>
<th>ID No</th>
<th>C No.</th>
<th>P No.</th>
<th>Practice</th>
<th>#</th>
<th>Mean Score</th>
<th>Gap</th>
<th>Action Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.03</td>
<td>Fair facilitator during negotiation.</td>
<td>10</td>
<td>2.50</td>
<td>1.70</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.02</td>
<td>Full support from Head of Region.</td>
<td>10</td>
<td>2.70</td>
<td>1.60</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td>1.08</td>
<td>Participation and empowerment of the private sector</td>
<td>2</td>
<td>2.50</td>
<td>1.50</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.09</td>
<td>A fair regulator available during FPA implementation</td>
<td>10</td>
<td>2.90</td>
<td>1.50</td>
<td>3</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.10</td>
<td>Risks considered and contingency plan B is available</td>
<td>10</td>
<td>2.90</td>
<td>1.40</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.01</td>
<td>Mutual understanding on &quot;performance&quot;.</td>
<td>10</td>
<td>2.70</td>
<td>1.40</td>
<td>6</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.05</td>
<td>Routine feedback provided by core government.</td>
<td>10</td>
<td>2.90</td>
<td>1.30</td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.07</td>
<td>KPIs based on a balanced set of perspectives.</td>
<td>10</td>
<td>3.00</td>
<td>1.10</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.04</td>
<td>Pemda do not intervene at micro level after FPA</td>
<td>10</td>
<td>3.00</td>
<td>0.90</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.11</td>
<td>Reports on performance are prioritized.</td>
<td>9</td>
<td>3.22</td>
<td>0.67</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td>C. The Areas of Flexibilities</td>
<td>3.04</td>
<td>Concerning other services (&quot;support services&quot;) provided by FPA</td>
<td>8</td>
<td>3.38</td>
<td>0.63</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.06</td>
<td>Resources agreed in FPA are made available, generally.</td>
<td>10</td>
<td>3.60</td>
<td>0.60</td>
<td>12</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.08</td>
<td>Some accountability exists to the community.</td>
<td>10</td>
<td>3.50</td>
<td>0.50</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>B. Critical Success Factors for FPA</td>
<td>2.12</td>
<td>SDO headed by committed and skilled leader.</td>
<td>10</td>
<td>3.30</td>
<td>0.50</td>
<td>13</td>
<td></td>
</tr>
<tr>
<td>C. The Areas of Flexibilities</td>
<td>3.02</td>
<td>Concerning management of personnel.</td>
<td>9</td>
<td>3.44</td>
<td>0.43</td>
<td>15</td>
<td></td>
</tr>
<tr>
<td>C. The Areas of Flexibilities</td>
<td>3.01</td>
<td>Concerning and planning and management of the public procurement process.</td>
<td>9</td>
<td>4.11</td>
<td>0.39</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td>1.02</td>
<td>A fair price (cost) on the service, which is much lower than the market price.</td>
<td>10</td>
<td>3.90</td>
<td>0.30</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td>1.04</td>
<td>Empower the customer (put the customer &quot;in the driver seat&quot;).</td>
<td>10</td>
<td>3.90</td>
<td>0.30</td>
<td>17</td>
<td></td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td>1.06</td>
<td>Change the culture of service delivery organization</td>
<td>9</td>
<td>3.33</td>
<td>0.22</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>C. The Areas of Flexibilities</td>
<td>3.03</td>
<td>Concerning the public procurement process.</td>
<td>9</td>
<td>3.89</td>
<td>0.11</td>
<td>20</td>
<td></td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td>1.01</td>
<td>Clarity in objectives, roles, authority and accountabilities.</td>
<td>10</td>
<td>4.30</td>
<td>0.10</td>
<td>21</td>
<td></td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td>1.03</td>
<td>Adopt more use of &quot;rewards and punishments&quot;.</td>
<td>10</td>
<td>3.90</td>
<td>0.10</td>
<td>22</td>
<td></td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td>1.05</td>
<td>Empower the Service Delivery Organization (SDO).</td>
<td>10</td>
<td>4.00</td>
<td>0.00</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>A. The 8 Basic AMSD Strategies</td>
<td>1.07</td>
<td>Restructure the particular service sector to provide for self-regulation.</td>
<td>10</td>
<td>4.00</td>
<td>0.00</td>
<td>23</td>
<td></td>
</tr>
<tr>
<td>C. The Areas of Flexibilities</td>
<td>3.05</td>
<td>Other (describe):</td>
<td>0</td>
<td>0.00</td>
<td>0.00</td>
<td>23</td>
<td></td>
</tr>
</tbody>
</table>

The practices are:

Rank 1: Fair facilitator during negotiation of the Flexible Performance Agreement
Rank 2: Full support from Head of Region
Rank 3: Private Sector and community participation; and
Rank 3 (equal): A fair regulator available during FPA implementation

The two practices lowest rank (smallest gap between adoption and importance) are:

Rank 23: Empowered Service Delivery Organization (SDO)
Rank 24: Sector structure
Rank 25: Miscellaneous (unnamed) flexibilities

If all practices across all categories were equally important, and the low ranked practices were ranked because of high adoption (as appears to be the case), one might suggest that the respondents...
### 4.4 Summary of Practices that Might be Prioritized

With respect to individual practices, Table 4 summarizes the survey results from three perspectives:

1. First priority practices in each category
2. Top ten priority practices gathered from all categories; and
3. Key practices across all Categories that the project should be targeting but which are perceived to be already in place or not important.

#### Table 4 Summary of Possible Priority Practices within and Across Categories

<table>
<thead>
<tr>
<th>Rank</th>
<th>Kategori / Category</th>
<th>Priority action-&gt; 1 in each category</th>
<th>nr</th>
<th>Kebiasaan institusi yang baik / Practice</th>
<th>Gap</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>A. The 8 Basic AMSD Strategies</td>
<td>Private sector and community participation</td>
<td>8</td>
<td>1.50</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>B. Faktor Dominan Sukses MAPP</td>
<td>Fair facilitator during negotiation.</td>
<td>3</td>
<td>1.70</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>C. Kelonggaran Aturan yang Biasa dipakai</td>
<td>Pemda supplied support services.</td>
<td>4</td>
<td>0.63</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>B. Faktor Dominan Sukses MAPP</td>
<td>Mutual understanding on &quot;performance&quot;.</td>
<td>2.01</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>B. Faktor Dominan Sukses MAPP</td>
<td>Routine feedback provided by core government after FPA commenced.</td>
<td>2.05</td>
<td>0.00</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>B. Faktor Dominan Sukses MAPP</td>
<td>Pemda do not intervene at micro level after FPA commenced.</td>
<td>2.04</td>
<td>0.80</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>B. Faktor Dominan Sukses MAPP</td>
<td>Reports on performance are prioritized.</td>
<td>2.11</td>
<td>0.67</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>B. Faktor Dominan Sukses MAPP</td>
<td>KPIs based on a balanced set of perspectives.</td>
<td>2.07</td>
<td>1.10</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>B. Faktor Dominan Sukses MAPP</td>
<td>A fair regulator available during FPA implementation.</td>
<td>2.09</td>
<td>1.50</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>B. Faktor Dominan Sukses MAPP</td>
<td>A fair regulator available during FPA implementation.</td>
<td>2.09</td>
<td>1.50</td>
<td></td>
</tr>
</tbody>
</table>

As noted in the previous section, practices shown on Table 4.3 needs special attention because they are important to achieving project objectives but are not perceived to be important by the respondents or are believed to have already been adopted.
5 Introducing AMSD – Where to Enter?

Table 4 offers some guidance overall on “entry points”. High gap practices might be addressed first if progress can be made on changing them and resources are available for the effort, or they might be last, if they are too sensitive or the resources are unavailable early.

It appears that the process (category B) to achieve success is where the gap is largest. Again, assuming resources are available, should largest gaps be addressed early in the project or should they be left until some success can be gained elsewhere, understanding and confidence built among stakeholders and trust developed with the Consultants?

Given that, overall, the ranking seems to be more a result of low “existing adoption” than “high importance” (all are perceived as important) and the Consultant resources will be present during the pilot design stage, it is suggested the “critical success factors” be the main focus during the early stages. This is not to downplay the importance of the AMSD strategies, but just to highlight that early in the change process, the respondents feel that the power relationships are likely to be keys, whatever the technical details planned for service delivery improvement.
Attachment 1: Questionnaire
## 2. A. 8 Strategi Dasar MAPP

<table>
<thead>
<tr>
<th>PERSYARATAN</th>
<th>Bobot Penetapan</th>
<th>Tingkat Kepentingan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Berjalan</td>
<td>Sedang</td>
</tr>
<tr>
<td>1. Clarity in objectives, roles, authority and</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>accountabilities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Put a price (cost) on the service, which as much as</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>possible covers the full cost of providing it.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Adopt more use of &quot;rewards and punishments&quot;</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>(i.e. there must be consequences for good or poor service)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Empower the customer (put the customer &quot;in the</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>driving seat&quot;)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. Empower the Service Delivery Organization (SDO)</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>with the government losing control of the policy-</td>
<td></td>
<td></td>
</tr>
<tr>
<td>making</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. Change the culture of service delivery organization</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>from bureaucratic to enterpreneurial.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Restructure the particular service sector to provide</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>clarity, improve incentives and capture efficiencies</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Participation and empowerment of the private sector</td>
<td>1 2 3 4 5</td>
<td>1 2 3 4 5</td>
</tr>
<tr>
<td>and community.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## B. Critical Success Factors for FPA

<table>
<thead>
<tr>
<th>CONDITION</th>
<th>Degree of Establishment</th>
<th>Degree of Importance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mutual understanding on &quot;performance&quot;.</td>
<td>1 2 3 4 5 1 2 3 4 5 0</td>
</tr>
<tr>
<td>2</td>
<td>Full support from Head of Region.</td>
<td>1 2 3 4 5 1 2 3 4 5 0</td>
</tr>
<tr>
<td>3</td>
<td>Fair facilitator during negotiation.</td>
<td>1 2 3 4 5 1 2 3 4 5 0</td>
</tr>
<tr>
<td>4</td>
<td>Pemda do not intervene at micro level after FPA commences.</td>
<td>1 2 3 4 5 1 2 3 4 5 0</td>
</tr>
<tr>
<td>5</td>
<td>Routine feedback provided by core government after FPA commences.</td>
<td>1 2 3 4 5 1 2 3 4 5 0</td>
</tr>
<tr>
<td>6</td>
<td>Resources agreed in FPA are made available, generally for more than 1 year.</td>
<td>1 2 3 4 5 1 2 3 4 5 0</td>
</tr>
<tr>
<td></td>
<td>Description</td>
<td>1</td>
</tr>
<tr>
<td>---</td>
<td>------------------------------------------------------------------------------</td>
<td>---</td>
</tr>
<tr>
<td>7</td>
<td>KPIs based on a balanced set of perspectives.</td>
<td>1</td>
</tr>
<tr>
<td>8</td>
<td>Some accountability exists to the community.</td>
<td>1</td>
</tr>
<tr>
<td>9</td>
<td>A fair regulator available during FPA implementation.</td>
<td>1</td>
</tr>
<tr>
<td>10</td>
<td>Risks considered and contingency plan B is available.</td>
<td>1</td>
</tr>
<tr>
<td>11</td>
<td>Reports on performance are prioritized.</td>
<td>1</td>
</tr>
<tr>
<td>12</td>
<td>SDO headed by committed and skilled leader.</td>
<td>1</td>
</tr>
</tbody>
</table>
### C. Kelonggaran Aturan yang Biasa dipakai

<table>
<thead>
<tr>
<th>PERSYARATAN</th>
<th>Bobot Penetapan</th>
<th>Tingkat Kepentingan</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Belum Berjalan</td>
<td>Sdh Mulai Berjalan</td>
</tr>
<tr>
<td>1</td>
<td>Concerning and planning and management of the budgets.</td>
<td>1 2 3 4 5 1 2 3 4 5</td>
</tr>
<tr>
<td>2</td>
<td>Concerning management of personnel.</td>
<td>1 2 3 4 5 1 2 3 4 5</td>
</tr>
<tr>
<td>3</td>
<td>Concerning the public procurement process.</td>
<td>1 2 3 4 5 1 2 3 4 5</td>
</tr>
<tr>
<td>4</td>
<td>Concerning other services (&quot;support services&quot; provided by Pemda) that are normally / must be used by the SDO.</td>
<td>1 2 3 4 5 1 2 3 4 5</td>
</tr>
<tr>
<td>5</td>
<td>Other (describe):</td>
<td>1 2 3 4 5 1 2 3 4 5</td>
</tr>
</tbody>
</table>
Attachment 2: Analysis by Categories and Practices within Category
A. The 8 Basic AMSD Strategies

<table>
<thead>
<tr>
<th>No.</th>
<th>Practice</th>
<th>#</th>
<th>BP</th>
<th>TK</th>
<th>Gap</th>
<th>Action Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Clarity in objectives, roles, authority and account</td>
<td>10</td>
<td>4.30</td>
<td>4.40</td>
<td>0.100</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Put a price (cost) on the service, which as much</td>
<td>10</td>
<td>3.90</td>
<td>4.20</td>
<td>0.300</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Adopt more use of &quot;rewards and punishments&quot;</td>
<td>10</td>
<td>3.90</td>
<td>4.00</td>
<td>0.100</td>
<td>6</td>
</tr>
<tr>
<td>4</td>
<td>Empower the customer (put the customer &quot;in the loop&quot;)</td>
<td>10</td>
<td>3.90</td>
<td>4.20</td>
<td>0.300</td>
<td>2</td>
</tr>
<tr>
<td>5</td>
<td>Empower the Service Delivery Organization (SDO)</td>
<td>10</td>
<td>4.00</td>
<td>4.00</td>
<td>0.000</td>
<td>7</td>
</tr>
<tr>
<td>6</td>
<td>Change the culture of service delivery organization</td>
<td>9</td>
<td>3.33</td>
<td>3.56</td>
<td>0.222</td>
<td>4</td>
</tr>
<tr>
<td>7</td>
<td>Restructure the particular service sector to provide service</td>
<td>10</td>
<td>4.00</td>
<td>4.00</td>
<td>0.000</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Participation and empowerment of the private sector</td>
<td>2</td>
<td>2.50</td>
<td>4.00</td>
<td>1.500</td>
<td>1</td>
</tr>
</tbody>
</table>

Mean: 3.73 4.04 0.32

Mean Score: 3.7292 4.0444 0.3153

Note

1 # = number of respondents
   / Jumlah responden
2 Frequency ranked = number of responses that ranked the practice "1st most important", "2nd most important", "3rd mos=
   = jumlah responden yang beri peringkat "paling penting no 1", "paling penting no 2", sebagainya
3 BP = "Bobot Penetapan" ("Degree of Adoption") or current performance
   Derajat pendekatan ini menjadi kebiasaan dalam PEMDA
4 TK = "Tingkat Kepentingan", which is the "Importance" Mean Score for each practice
   Tingkat Kepentingan adalah skor rata rata kepentingan
5 "Action priority" (Prioritas tindak lanjut) is the practice that presently has the greatest need for action
   Prioritas tindak lanjut adalah kebiasaan yang paling prioritas diterapkan dalam sektor / organisasi
B. Faktor Dominan Sukses MAPP

<table>
<thead>
<tr>
<th>No.</th>
<th>Practice</th>
<th>#</th>
<th>Mean Score BP</th>
<th>Mean Score TK</th>
<th>Gap</th>
<th>Action Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Mutual understanding on “performance”.</td>
<td>10</td>
<td>2.70</td>
<td>4.10</td>
<td>1.40</td>
<td>5</td>
</tr>
<tr>
<td>2</td>
<td>Full support from Head of Region.</td>
<td>10</td>
<td>2.70</td>
<td>4.30</td>
<td>1.60</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>Fair facilitator during negotiation.</td>
<td>10</td>
<td>2.50</td>
<td>4.20</td>
<td>1.70</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Pemda do not intervene at micro level after FPA</td>
<td>10</td>
<td>3.00</td>
<td>3.80</td>
<td>0.80</td>
<td>8</td>
</tr>
<tr>
<td>5</td>
<td>Routine feedback provided by core government</td>
<td>10</td>
<td>2.90</td>
<td>4.20</td>
<td>1.30</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Resources agreed in FPA are made available, get it in regular basis.</td>
<td>10</td>
<td>3.60</td>
<td>4.20</td>
<td>0.60</td>
<td>10</td>
</tr>
<tr>
<td>7</td>
<td>KPIs based on a balanced set of perspectives.</td>
<td>10</td>
<td>3.00</td>
<td>4.10</td>
<td>1.10</td>
<td>7</td>
</tr>
<tr>
<td>8</td>
<td>Some accountability exists to the community.</td>
<td>10</td>
<td>3.50</td>
<td>4.00</td>
<td>0.50</td>
<td>11</td>
</tr>
<tr>
<td>9</td>
<td>A fair regulator available during FPA implementation.</td>
<td>10</td>
<td>2.50</td>
<td>4.00</td>
<td>1.50</td>
<td>3</td>
</tr>
<tr>
<td>10</td>
<td>Risks considered and contingency plan B is available.</td>
<td>10</td>
<td>2.90</td>
<td>4.30</td>
<td>1.40</td>
<td>4</td>
</tr>
<tr>
<td>11</td>
<td>Reports on performance are prioritized.</td>
<td>9</td>
<td>3.22</td>
<td>3.89</td>
<td>0.67</td>
<td>9</td>
</tr>
<tr>
<td>12</td>
<td>SDO headed by committed and skilled leader.</td>
<td>10</td>
<td>3.30</td>
<td>3.80</td>
<td>0.50</td>
<td>11</td>
</tr>
</tbody>
</table>

Mean: 2.99, 4.07, 1.09
### C. Kelonggaran Aturan yang Biasa dipakai

<table>
<thead>
<tr>
<th>No.</th>
<th>Practice</th>
<th>#</th>
<th>Mean Score BP</th>
<th>Gap</th>
<th>Action Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Concerning and planning and management of the organization</td>
<td>9</td>
<td>4.11</td>
<td>4.50</td>
<td>0.39</td>
</tr>
<tr>
<td>2</td>
<td>Concerning management of personnel.</td>
<td>9</td>
<td>3.44</td>
<td>3.88</td>
<td>0.43</td>
</tr>
<tr>
<td>3</td>
<td>Concerning the public procurement process.</td>
<td>9</td>
<td>3.89</td>
<td>4.00</td>
<td>0.11</td>
</tr>
<tr>
<td>4</td>
<td>Concerning other services (&quot;support services&quot; provision)</td>
<td>8</td>
<td>3.38</td>
<td>4.00</td>
<td>0.63</td>
</tr>
<tr>
<td>5</td>
<td>Other (describe):</td>
<td>0</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

**Mean**

- Score BP: 2.96
- Score TK: 3.28
- Gap: 0.31

#### Score Distribution

- **2**: 4.11, 3.44, 3.89, 3.38, 0.00
- **TK**: 4.50, 3.88, 4.00, 4.00, 0.00
- **Gap**: 0.39, 0.43, 0.11, 0.63, 0.00
Appendix H

Proposal for Next Stage as Discussed with DG-PUM
BACKGROUND

Efforts to improve public service have clearly been mandated by Law No. 32/2004 on Regional Government. Further, under PP No. 38/2007, the division and assignment of government functions between the Government and Provincial and local (kabupaten / kota) Governments has been set-out, particularly with respect to functions that are mandatory for local governments. All these functions ultimately are aimed at providing improved public services to the people.

In addition to the regulatory framework mentioned above, efforts at improving public service represent one of the strategic elements under the Grand Strategy of Regional Autonomy Implementation. Nonetheless, there has not been a coordinated effort within the central government to realize this element of the strategy.

Under the first AMSD project, the Directorate General of General Government (DitJen PUM), with support of the Decentralization Support Facility (DSF), are exploring a range of (alternative) strategies/mechanisms for service delivery that will be more coordinated and effective at regional level. The implementation of this project is funded by DSF and includes piloting alternative mechanisms. This project is ongoing and will last until March, 2009. The output will be design of one or models using certain strategies that can be deployed by regional government to enhance public service delivery in its jurisdiction. These options can either be a single strategy or, preferably, a combination of several strategies.

This Term of Reference is prepared to help implement the models aforementioned in three (3) function (sectors) in 2 or 3 selected regions and municipalities (kabupatens and kotas). For the time being, these selected local governments are Kabupaten Serang, Kabupaten Lebak and Kota Cilegon.

PROJECT OBJECTIVE

This project of the Directorate General of General Government Affairs (DG-PUM) aims to help develop and implement a coordinated program of central government to help regional governments improve delivery of public services at regional level.

This aim is to be achieved by, among various means, encouraging regional governments to apply alternative strategies created by the pilot projects mentioned above, which target improved public service performance in particular functions and in which the selection was determined by the associated local government with the support provided by experts from the AMSD Project.

In essence, performance improvement in the pilots is to be indicated by measurable performance indicators, so that the level of service delivery can be monitored and improved through use of a framework provided by a performance contract.

PROJECT OUTCOME

With this project, Government will raise select regional governments’ ability to measure public service delivery based on deployment of performance indicators, standards and a number of alternative strategies, which have been developed for the pilot services - and to
make use of that information to improve incentives for better performance. Since over time it can be expected that indicators, standards and strategies will continually improve, central government will be well placed to promote the approach to other regional governments and sectors as a means of improving performance and raising standards.

**PROJECT OUTPUT**

This Project will result in the following outputs:

1. Improved regulatory framework, as necessary, to support the implementation of the eight basic strategies of AMSD;
2. Select sectors / functions that demonstrate “best practice” service delivery using AMSD strategies, which can then be used as a reference by other work units or other local governments in Indonesia;
3. Data and information for dissemination regarding success factors for sectors / function and local governments that have implemented AMSD “best practices”;
4. Capacity building programs for personnel in the target local governments and DG-PUM to enable them to undertake their role in programs to improve service delivery; and
5. A functioning “Program (or Service Improvement) Management Unit”, which will coordinate all activities to produce these outputs, probably consisting of: (i) Technical Work Groups (TWGs) and (ii) a Secretariat supporting the TWGs.

**PROJECT ACTIVITY**

Activities under this Project will include:

1. Detailed design of pilot project ready for implementation, where the first AMSD project identified such a need, and which, among other matters covers:
   - Working with selected service delivery organizations \( (SKPDs) \) to formulate specific technical and change objectives, and identify problems as well as strategic options based on AMSD strategies;
   - Preparing terms of reference for specific / technical activities, such as drafting local laws establishing new organization forms;
   - Detailing technical, organizational and institutional development activities and help with organizing their implementation;
   - Assisting the \( SKPD \) in the implementation stage, including procurement, implementation, supervision and reporting;
   - Facilitating development of the relationship between selected SKPDs and Head of Local Government/Regional Secretary and other relevant SKPDs based on the Flexible Performance Agreement;
   - Preparing short papers for dissemination on the origins and results of pilot implementation, highlighting factors for success of the pilots and pitfalls to be avoided.
2. Preparing draft changes to the regulatory frameworks that are needed to support the implementation of AMSD strategies, including, among various activities:
- Regulations for the implementation of Flexible Performance Agreements;
- Regulations for output-based funding subsidies using the Public Service Obligation (PSO) mechanism;
- Regulations for increasing “rewards and punishment” related to performance;
- Regulations for the implementation of customer and public participation systems in the service delivery;
- Regulations for allowing certain exceptions / flexibilities for selected AMSD institutional options used to improve public service delivery;
- Regulations for promoting opportunities to restructure sectors, including raised public private and community participation.

(3) Capture and dissemination of information on the AMSD pilots and other service improvement initiatives, including:
  - Successes and failures of AMSD implementation;
  - Baseline conditions in the service;
  - The basis for the strategy used to improve the performance, in line with the conditions in the relevant local government and the particular public service;
  - Regulatory framework that has been developed to support the strategies;
  - Systems and procedures developed to support AMSD implementation;
  - Performance indicators and standards that are used, including the process of development;
  - Work mechanisms that respond to the needs of relevant stakeholders, etc.

(4) Capacity building for personnel and organizations, including:
  - Preparation of targeted training modules, such as: (i) knowledge of AMSD basic strategies, and instruments (tools) to realize these strategies (ii) change management (iii) performance measurement (iv) preparation and negotiation of flexible performance agreements (KKF) (v) monitoring of implementation, etc.
  - Comparative study trips and exchange of information;
  - Restructuring sectoral governance and implementation arrangements at regional and central level;
  - Improving customer service capacity (front line personnel);
  - Developing funding mechanisms.

(5) Program management, covering four groups of activity aforementioned which consists of:
  - Advisory support provided by consultants;
  - Supports provided by a Steering Committee, a technical Committee, technical Working group(s) and possibly sub-groups, as needed;
  - Secretarial support for these teams; and
  - Administration of the project.
DURATION
This Project will be carried out over one year, starting from April 2009, with the possibility of extension based on the progress and development in the field.

COUNTERPARTS
The key counterpart for this project is Ditjen PUM, the Directorate of Deconcentration and Cooperation in this regard, and particularly the Sub-Directorate of General Government Services.
In addition to that, there will be representatives from Bappenas, the Ministry of Finance, the State Ministry for Administrative Reform and related technical ministries, as needed, within these committees/teams.

COST ESTIMATE
It is estimated that the overall budget support needed for this project will amount to Rp 4.6 billion.

Jakarta, December 3, 2008
Directorate of Deconcentration and Cooperation
Sub-Directorate of General Government Service
Appendix I

(not used)
Appendix J

Expenditure Projections
Program for AMSD Promotion

Recnace Aloked Sumber Days

<table>
<thead>
<tr>
<th>30,000</th>
<th>10%</th>
<th>20</th>
<th>80%</th>
<th>2</th>
<th>12</th>
<th>Funds in.ps.</th>
</tr>
</thead>
<tbody>
<tr>
<td>15,000</td>
<td>4,66</td>
<td>-</td>
<td>1,370</td>
<td>1,382</td>
<td>-</td>
<td>462</td>
</tr>
</tbody>
</table>

Qtn: 1. "Period" within each projection
2. All-in cost basis: Expert(s) inputs
3. First Period of Program (eg. Period 1)
4. All-in cost Local Expert (Right month)
5. All-in cost local exp. (Other month)
6. Proximal cost basis (Rp M)
7. All-in cost local exp. (Other month)
8. DSC Ratio
9. Total in "Period" - 3
10. Qtr
No PROGRAM / ACTIVITY DESCRIPTION: "Perkiraan Jumlah Pendapatan SKPD"

A Income

1. Opening Cash Rp M /M 3.00

2. From Operations

3. Assume Basis: Population

4. Target Service Area Population

5. Period 1

6. Projections in Population Period 2

7. Increment in Population Period 3

8. Increment in Population Period 4

9. Total Population of Periods

10. Total Population to be served

11. Target Coverage

12. Approximate Total Persons Served

13. Actual Coverage

14. Units Served: 1. US: defined as the "US" - defined as: households, connections, persons, families etc.

15. - Period 1

16. - Period 2

17. - Period 3

18. - Period 4

19. - Period 5

20. - US pre Period 1

21. - US pre Period 2

22. - US pre Period 3

23. - US new in Period 1

24. - US new in Period 2

25. - US new in Period 3

26. - US new in Period 4

27. - US new in Period 5

28. - Levy / Fees

29. - US pre Period 1

30. - US pre Period 2

31. - US new in Period 1

32. - US new in Period 2

33. - US new in Period 3

34. - Levy / Fees

35. - % of Total US

36. - Allowed Sub Total

37. - Pernikatan Jumlah Pendapatan SKPD

B. Retribusi lain atas Pihak Ketiga di Sektor

1. Large Scale Providers

2. Small Scale Providers

3. Other

4. Total before adjustments

5. All in 3

6. All in 4

7. Total before adjustments

C. Hibah dari Propinsi/Pusat

1. Cash available for Operations Rp M

2. TOTAL INCOME

3. Income Managed per Citizen at Period and Cash available for Operations Rp M
### Costs of Program

<table>
<thead>
<tr>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>8</td>
</tr>
<tr>
<td>9</td>
<td>10</td>
</tr>
<tr>
<td>11</td>
<td>12</td>
</tr>
</tbody>
</table>

#### Cash available for Operations

<table>
<thead>
<tr>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### Blaya Kapermeniran Program / Operational

#### Period-end Citizens Served

<table>
<thead>
<tr>
<th></th>
<th>1,030,000</th>
<th>1,030,000</th>
<th>1,040,000</th>
<th>1,040,000</th>
<th>1,045,000</th>
<th>1,045,000</th>
<th>1,050,000</th>
<th>1,050,000</th>
<th>1,060,000</th>
<th>1,060,000</th>
<th>1,075,000</th>
<th>1,075,000</th>
<th>1,090,000</th>
<th>1,090,000</th>
</tr>
</thead>
</table>

#### Standard Hours available

<table>
<thead>
<tr>
<th></th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
<th>2:00</th>
</tr>
</thead>
</table>

#### Hours on Processing and Reporting data

<table>
<thead>
<tr>
<th></th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
<th>1,490</th>
</tr>
</thead>
</table>

#### Hours on Management, Quality Maintenance & Upgrade

<table>
<thead>
<tr>
<th></th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
<th>213</th>
</tr>
</thead>
</table>

#### Strategic Work Ratio

<table>
<thead>
<tr>
<th></th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
<th>10%</th>
</tr>
</thead>
</table>

#### On Development Activities

<table>
<thead>
<tr>
<th></th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
<th>150</th>
</tr>
</thead>
</table>

### Salary / Remuneration of Secretarial Personnel

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Manager</td>
<td>94</td>
<td>9</td>
</tr>
<tr>
<td>Senior DGO Consultant</td>
<td>85</td>
<td>8</td>
</tr>
<tr>
<td>Financial Management Consultant(s)</td>
<td>60</td>
<td>6</td>
</tr>
<tr>
<td>Technical Expert (s)</td>
<td>187</td>
<td>18</td>
</tr>
<tr>
<td>Secretarial Person</td>
<td>107</td>
<td>10</td>
</tr>
<tr>
<td>Office Boy</td>
<td>187</td>
<td>18</td>
</tr>
<tr>
<td>Additional staff as load &gt;95%</td>
<td>213</td>
<td>21</td>
</tr>
</tbody>
</table>

### Total Basic Salaries

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 468</td>
<td>38</td>
<td>3</td>
</tr>
</tbody>
</table>

### Transportation Allowance

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>5% of basic salary</td>
<td>23</td>
<td>2</td>
</tr>
</tbody>
</table>

### Estimated Subtotal

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 602</td>
<td>46</td>
<td>4</td>
</tr>
</tbody>
</table>

### Allowed Sub Total

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 102</td>
<td>9</td>
<td>9</td>
</tr>
</tbody>
</table>

### Blaya Laporan Program

#### First Special Report

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 8</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

#### First Annual Report

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 28</td>
<td>3</td>
<td>3</td>
</tr>
</tbody>
</table>

### Copy CD ROM Database

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 69</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

### Financials and Other Reports

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 102</td>
<td>10</td>
<td>10</td>
</tr>
</tbody>
</table>

### Allowed Sub Total

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 383</td>
<td>38</td>
<td>38</td>
</tr>
</tbody>
</table>

### Blaya Kapermeniran Program

#### Est. Operating Profit (Subsidy)

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 419</td>
<td>34</td>
<td>34</td>
</tr>
</tbody>
</table>

### Total Commensurate Expenditure

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 1,302</td>
<td>102</td>
<td>102</td>
</tr>
</tbody>
</table>

### Total Revenue

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 1,302</td>
<td>102</td>
<td>102</td>
</tr>
</tbody>
</table>

### Operating Profit (Subsidy)

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 1,302</td>
<td>102</td>
<td>102</td>
</tr>
</tbody>
</table>

### Operating Cost Recovery Ratio

<table>
<thead>
<tr>
<th></th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
<th>%</th>
</tr>
</thead>
</table>

### AMORTIZE FACILITIES & EQUIPMENT

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 419</td>
<td>34</td>
<td>34</td>
</tr>
</tbody>
</table>

### TABULASI

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 1,302</td>
<td>102</td>
<td>102</td>
</tr>
</tbody>
</table>

### Cash available after activity

<table>
<thead>
<tr>
<th></th>
<th>Rp M</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M 419</td>
<td>34</td>
<td>34</td>
</tr>
<tr>
<td>No</td>
<td>PROGRAM / ACTIVITY DESCRIPTION</td>
<td>Assumes</td>
</tr>
<tr>
<td>----</td>
<td>--------------------------------</td>
<td>---------</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

[--------- Assumptions -----------]
### Cash Available for Investment in Sector / System

<table>
<thead>
<tr>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
</tr>
</tbody>
</table>

### CAPITAL EXPENDITURE (2)

<table>
<thead>
<tr>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
</tr>
</tbody>
</table>

#### 6.0 Pilot - Peningkatan Informasi Kinerja dan Respons SKPD

**Project Description**

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Project Activities</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 7.0 Reserve, Dokumentasi, Diseminasi Informasi

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 8.0 Pengembangan kapitaal - Tingkat Sektor

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### Cash Available after activity

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### Assumptions

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Rp M</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### Estimation

<table>
<thead>
<tr>
<th>Estimation</th>
<th>Rp M</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

---

**Note:** All costs are in Rp M unless otherwise specified.

---

**Appendix J.0 - Expenditure Projections-LIDAP-AMSD.xls**

**Budget 1-12 5/10 7/28/2009 (6:56 PM)**

---

**No PROGRAM / ACTIVITY DESCRIPTION**

<table>
<thead>
<tr>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 10.0 Pilot - Peningkatan Kepemimpinan / Akuntabilitas dgn 'Dewan Masayarakat'

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 11.0 Service Delivery 

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 12.0 Community Consultation Process

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 13.0 Software Purchases

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 14.0 On-going Hardware Purchases

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 15.0 Training GCG, duties, organizational performance etc

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 16.0 Expert Legal Advice

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

### 17.0 Socialization / Training Wilayah Level

<table>
<thead>
<tr>
<th>Program / Activity Description</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

---

**No PROGRAM / ACTIVITY DESCRIPTION**

<table>
<thead>
<tr>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

---

**No PROGRAM / ACTIVITY DESCRIPTION**

<table>
<thead>
<tr>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

---

**No PROGRAM / ACTIVITY DESCRIPTION**

<table>
<thead>
<tr>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>

---

**No PROGRAM / ACTIVITY DESCRIPTION**

<table>
<thead>
<tr>
<th>PROGRAM / ACTIVITY DESCRIPTION</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rp M</td>
<td>(1,444)</td>
<td></td>
</tr>
</tbody>
</table>
## 9.3 Dukungan Peningkatan Manajemen Strategis, Rangka Hukum

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 Foreign Expert Costs

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 Local Experts

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 Estimated Subtotal

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 Allowed Sub Total

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 Cost per Target Citizen

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 Cash Available after activity

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 Cash Available after Investment

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 TOTAL EXPENDITURE

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 TOTAL REVENUE

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 SURPLUS

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### 1.00 Cash available for Financing Activities

<table>
<thead>
<tr>
<th>Assumptions</th>
<th>Unit</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td><strong>1.00</strong></td>
<td>1.00</td>
<td>1.00</td>
</tr>
</tbody>
</table>

### Notes

- Dukungan Peningkatan Manajemen Strategis, Rangka Hukum
- Foreign expert costs
- Local expert costs
- Training materials for person / local government / committees
- Local expert costs
- On-the-job training for person / local government / committees
- Estimated Subtotal
- Allowed Sub Total
- Cost per Target Citizen
- Cash Available after activity
- Cash Available after Investment
- TOTAL EXPENDITURE
- TOTAL REVENUE
- SURPLUS
- Cash available for Financing Activities

---

Appendix K

Draft SOP for a Working Group for Service Improvement
1. Purpose

1. The Standard Operating Procedures (SOP) contained in this manual will assist the members of the Technical Working Group for Improvement of Public Services (hereinafter called Technical Working Group or TWG) to address their tasks in a way that is most effective and productive.

2. The SOP pertain to all members of the Technical Working Group, regardless of their organizational affiliation.

2. Introduction

1. Established by the Directorate General of General Government, Directorate of Deconcentration and Cooperation, MoHA, the Technical Working Group is concerned above all with improving public services. The objective of the Technical Working Group is to provide a forum to exchange information and ideas and to coordinate initiatives to improve public services.

2. Bendahuluan

1. Dibentuk oleh Direktorat Jenderal Pemerintahan Umum, Direktorat Dekonsentrasi dan Kerjasama, Depdagri, tugas utama Kelompok Kerja Teknis adalah meningkatkan layanan umum. Tujuan Kelompok Kerja Teknis adalah untuk menyediakan sebuah forum untuk bertukar informasi dan ide dan mengkoordinasikan prakarsa guna
2. The expectations of the Directorate of Deconcentration and Cooperation of the Technical Working Group for its 2009 program are to develop a Strategy and an Action Plan for Improvement of Public Services and to coordinate its implementation among all stakeholders.

3. The Technical Working Group is chaired by the Director General of General Government (PUM), MoHA, with members consisting of MoHA Directorates and Sub-Directorates that support improvement of public services and representatives of the participating donor projects. At a later stage, representatives of other Ministries should also be involved to expand the coordination function of the Technical Working Group and enhance the effectiveness of the Strategy and Action Plan for Improvement of Public Services.

4. All members agree to work towards the achievement of the Strategy and Action Plan, while acknowledging differing individual objectives.

5. The representatives of donor agencies are assigned by those agencies that have committed themselves to contribute to the implementation of the Strategy and Action Plan (in general one person per organization).

6. All activities will be carried out in line with the SOPs stated below and based on the principles of good governance: transparency, accountability, participation, gender-sensitivity, effectiveness, efficiency and sustainability.

|-----------------------------------|--------------------------------|

Draft Standard Operating Procedures – March 19, 2009
Rancangan Prosedur Kegiatan Tetap – 19 Maret 2009
### Director General of General Government (In his absence, Director of Deconcentration and Cooperation, PUM, MoHA)

a. As the Chair, provides overall leadership and ensures that the Technical Working Group accomplishes its objective in accordance with the Strategy and Action Plan;

b. Chairs Technical Working Group meetings, especially when critical decisions are required;

c. Ensures democratic decision-making by the Working Group.

d. Fixes a clear Agenda for meetings and ensures meeting documentation is prepared, is accurate and is distributed (by the Secretary) in a timely manner;

e. Ensures that Minutes of the Meeting are recorded (by the Secretary or note-taker) and that these reflect fairly the proceedings and decisions taken;

#### 3.2. Secretary of the Working Team: Director of Deconcentration and Cooperation, MoHA

a. Assists the Chair in organizing the regular activities of the Working Group as well as in developing meeting agendas and documentation in accordance with the procedure stipulated below;

b. Can act as the Deputy for the Chair if the Chair is unable to preside at meetings (but only, if no critical decision is required);

c. Makes sure that all decisions and/or action items from the TWG meeting are followed up by the team members in a timely and professional manner;

d. Draws assistance from team members from the projects of the donors in carrying out duties as Secretary;

---

### Jenderal Pemerintahan Umum (bila berhalangan, digantikan oleh Direktur Dekonsentrasi dan Kerjasama, PUM, Depdagri)

a. Sebagai Ketua, menjalankan kepemimpinan secara keseluruhan dan memastikan agar Kelompok Kerja Teknis mencapai tujuannya sesuai dengan Strategi dan Rencana Aksi;

b. Memimpin rapat Kelompok Kerja Teknis, terutama saat keputusan penting harus diambil;

c. Menjamin pengambilan keputusan yang demokratis oleh Kelompok Kerja.

d. Menetapkan Agenda rapat yang jelas dan memastikan dokumentasi rapat sudah disiapkan, akurat, dan dibagikan (oleh Sekretaris) secara tepat waktu;

e. Memastikan Notulen Rapat dicatat (oleh Sekretaris atau notulis) dan cukup mencerminkan jalannya rapat dan keputusan yang telah diambil.

#### 3.2. Sekretaris Tim Kerja: Direktur Dekonsenstrasi dan Kerjasama, Depdagri

a. Membantu Ketua mengatur kegiatan rutin Kelompok Kerja dalam menyusun agenda dan menyiapkan dokumentasi rapat sesuai dengan prosedur yang ditetapkan berikut;

b. Dapat bertindak sebagai Wakil Ketua jika Ketua tidak dapat memimpin rapat (hanya jika tidak perlu mengambil keputusan penting);

c. Memastikan bahwa semua keputusan dan/atau tindakan yang dihasilkan rapat kelompok ditindaklanjuti oleh anggota kelompok secara tepat waktu dan profesional;

d. Mendapatkan bantuan dari anggota tim yang merupakan perwakilan proyek donor dalam menjalankan tugasnya sebagai Sekretaris;
| e. Manages the budget for the Technical Working Group; | e. Mengelola anggaran Kelompok Kerja Teknis; |
| f. Ensures SOP are followed and reviewed as required; | f. Memastikan SOP diikuti dan dikaji ulang bilamana perlu; |
| g. Strives, along with all other members, to continually improve the democratic governance practices in the Meetings. | g. Berupaya, bersama seluruh anggota tim lainnya, secara terus-menerus meningkatkan praktik penyelenggaraan Rapat yang demokratis. |

3.3 Secretariat of the Working Group

| a. Makes its location in the offices of PUM | a. Berkedudukan di kantor PUM; |
| b. Draws on participating donor projects in the Working Group for logistical and operational assistance; | b. Mendapatkan bantuan logistik dan operasional dari proyek donor yang terlibat dalam Kelompok Kerja; |
| c. Prepares Working Group reports – ensuring that these are finalized with comments from the members; | c. Menyiapkan laporan Kelompok Kerja—memastikan laporan tersebut ditutup dengan komentar anggota kelompok; |
| d. Submits reports to DG of General Government (PUM) through the Secretary of the Working Group; | d. Menyerahkan laporan ke Dirjen Pemerintahan Umum (PUM) melalui Sekretaris Kelompok Kerja; |
| e. Maintains a proper filing for the documents generated and used by the Working Group and makes those documents available to all team members at any time; | e. Melakukan pengarsipan yang rapat untuk dokumen yang disusun dan digunakan oleh Kelompok Kerja dan membuat agar dokumen tersebut dapat diakses setiap saat oleh anggota tim; |

3.4 Other Government Members of the Technical Working Group, (including other MoHA Directors and Sub-Directors, representatives of other Ministries/ Institutions)

| a. Assist the Chair in performance of tasks; | a. Membantu Ketua menjalankan tugas-tugasnya; |
| b. Provide all required support to the Technical Working Group in accordance with the agreed Action Plan and the SOP to achieve a coordinated approach to improvement of public services; | b. Memberikan dukungan yang diperlukan pada Kelompok Kerja Teknis sesuai dengan Rencana Aksi dan SOP yang disepakati dalam mencapai pendekatan yang terkoordinasiguna meningkatkan layanan umum; |
c. Carry out the respective activities assigned in the Action Plan and present the progress/results/drafts at the meetings held by the Technical Working Group; support reporting on results as required;

d. Coordinate internally at the Ministry/inter-departmental level to pursue tasks assigned to them in the Action Plan

e. Work to avoid overlaps and contradictory initiatives in GoI efforts to improve public service delivery, ensuring the effectiveness and efficiency of the processes carried out, and creating synergies by coordinating activities;

f. Provide advice, recommendations, opinions, and critiques on the resolutions of certain issues addressed by the Working Group.

3.5. Representatives of the Donors

a. Carry out the respective activities assigned in the Action Plan and present the progress/results/drafts at the meetings held by the Technical Working Group; support reporting on results as required;

b. Coordinate internally at the donor/project organization to pursue tasks assigned to them in the Action Plan;

c. Work to avoid overlaps and contradictory initiatives in GoI efforts to improve public service delivery, ensuring the effectiveness and efficiency of the processes carried out, and creating synergies by coordinating activities;

d. Provide advice/recommendations that will be beneficial for the national framework of capacity building.

c. Menjalankan kegiatan masing-masing pada Rencana Aksi dan menayangkan perkembangan/hasil/rancangan pada rapat yang digelar Kelompok Kerja Teknis; mendukung pelaporan hasil seperti yang ditetapkan;

d. Mengkoordinasikan secara internal pada tingkat Kementerian/antar departemen untuk melaksanakan tugas-tugas yang telah ditetapkan bagi mereka dalam Rencana Aksi.

e. Bekerja untuk menghindari tumpang tindih dan prakarsa yang bertentangan dalam upaya Pemerintah Indonesia meningkatkan penyediaan layanan umum, memastikan efektivitas dan efisiensi proses pelaksanaannya, dan menciptakan sinergi melalui koordinasi kegiatan;

f. Memberikan saran, rekomendasi, pendapat, dan kritik mengenai penyelesaian masalah tertentu yang ditangani oleh Kelompok Kerja.

3.5. Perwakilan Lembaga Donor

a. Melaksanakan kegiatan masing-masing seperti yang ditetapkan dalam Rencana Aksi dan menayangkan perkembangan/hasil/rancangan dalam rapat yang diadakan Kelompok Kerja Teknis; mendukung pelaporan hasil seperti yang ditetapkan;

b. Mengkoordinasikan secara internal organisasi donor/proyek untuk melaksanakan tugas-tugas yang ditetapkan bagi mereka dalam Rencana Aksi;

c. Bekerja untuk menghindari tumpang tindih dan prakarsa yang bertentangan dalam upaya Pemerintah Indonesia meningkatkan penyediaan layanan umum, memastikan efektivitas dan efisiensi proses pelaksanaannya, dan menciptakan sinergi melalui koordinasi
| kegiatan;  
d. Memberikan saran/rekomendasi yang bermanfaat bagi kerangka nasional pengembangan kapasitas. |
### 4. Technical Working Group Meetings

#### 4.1. General

1. Bimonthly regular meeting will be held in the offices of the Directorate for Deconcentration and Cooperation.

#### 4.2. Meeting Notices, Agenda and Minutes of Meeting

1. The Secretary of Working Group shall:
   a. coordinate meeting arrangements
   b. electronically forward the meeting notice to the Working Group members at least 5 working days prior to the day of the scheduled meeting; and
   c. ensure an agenda accompanies the meeting notice.

2. The Minutes of Meeting (MoM) are to be prepared and distributed to the team members, including the Chair, within three working days after the meeting.

3. A document list identifying all documents distributed at meetings or in preparation for the meeting shall be made a part of the MoM, but items appearing on the document list should not be incorporated in or distributed with the meeting report.

4. The meeting participants shall provide comments on the meeting minutes within two working days after receipt if there are discrepancies with what actually happened at the meeting.

5. All communications are carried out by means of electronic mails.

#### 4.3. Conduct of Meeting

1. Team members who are not able to attend a meeting must provide a written statement in advance of the meeting.

---

### 4. Rapat Kelompok Kerja Teknis

#### 4.1. Umum

1. Rapat rutin dwibulanan bertempat di kantor Direktorat Dekonsentrasi dan Kerjasama.

#### 4.2. Pemberitahuan Rapat, Agenda, dan Notulen

1. Sekretaris Kelompok Kerja berkewajiban untuk:
   a. Mengkoordinasikan pelaksanaan rapat
   b. Mengirim pemberitahuan rapat kepada anggota Kelompok Kerja melalui e-mail paling lambat lima hari sebelum tanggal pelaksanaan rapat yang dijadwalkan; dan
   c. Memastikan pemberitahuan rapat disertai dengan agenda.

2. Notulen rapat disusun dan dibagikan kepada anggota tim, termasuk Ketua, dalam waktu tiga hari setelah rapat digelar.

3. Suatu dokumen yang memuat daftar semua dokumen yang dibagikan dalam rapat atau tahap persiapan rapat harus disiapkan sebagai bagian dari notulen, namun dokumen yang dimuat dalam daftar dokumen itu tidak digabung atau dibagikan bersamaan dengan laporan rapat.

4. Peserta rapat wajib memberikan komentar tentang notulen dalam waktu dua hari setelah notulen diterima jika terdapat perbedaan dengan hal yang sesungguhnya terjadi dalam rapat.

5. Semua komunikasi dilakukan melalui e-mail.

#### 4.3. Tata Tertib Rapat

1. Team members who are not able to attend a meeting must provide a written statement in advance of the meeting.
<table>
<thead>
<tr>
<th>Meeting Shall Send Apologies Beforehand.</th>
<th>1. Anggota tim yang tidak dapat mengikuti rapat harus mengirimkan surat permohonan izin terlebih dahulu.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. The Chair Shall Ensure:</td>
<td>2. Ketua harus memastikan:</td>
</tr>
<tr>
<td>Time As Announced.</td>
<td>b. Rapat menghasilkan pokok(-pokok) tindakan yang harus diambil</td>
</tr>
<tr>
<td>b. The Meetings Result In Action</td>
<td>c. (Para) peserta rapat sudah diidentifikasi untuk mengambil tindakan; dan</td>
</tr>
<tr>
<td>Item(S) To Be Followed Up</td>
<td>d. Perkiraan tanggal penyelesaian sudah ditetapkan dalam rapat.</td>
</tr>
<tr>
<td>c. The Meeting Participant(S) Are</td>
<td>3. Ketua dan anggota rapat bertanggung jawab untuk:</td>
</tr>
<tr>
<td>Identified To Take Action; And</td>
<td>a. Mengoptimalkan waktu yang digunakan dalam rapat sehingga waktu dan biaya yang digunakan oleh semua yang hadir dapat dibenarkan;</td>
</tr>
<tr>
<td>d. An Estimated Completion Date Is</td>
<td>b. Memastikan bahwa agenda rapat dilaksanakan dan pembahasan tidak melenceng dari agenda tersebut.</td>
</tr>
<tr>
<td>Decided At The Meeting.</td>
<td>4. Harus ada jumlah minimum anggota rapat untuk dapat menyelenggarakan rapat. Jumlah anggota rapat harus terdiri dari 50% atau lebih dari keanggotaan yang resmi.</td>
</tr>
<tr>
<td>3. The Chair And The Participants Of</td>
<td>5. Keputusan harus berdasarkan konsensus; bila konsensus tidak memungkinkan, maka pengambilan suara terbanyak anggota yang hadir akan dilakukan oleh Ketua yang mempunyai hak untuk mengambil suara dua kali guna membatalkan jumlah suara yang seri.</td>
</tr>
<tr>
<td>The Meeting Are Responsible For:</td>
<td></td>
</tr>
<tr>
<td>a. Optimizing The Time Spent At A</td>
<td></td>
</tr>
<tr>
<td>Meeting So That The Time And Expense</td>
<td></td>
</tr>
<tr>
<td>Of All Present Can Be Justified;</td>
<td></td>
</tr>
<tr>
<td>b. Ensuring That The Agenda Is Followed</td>
<td></td>
</tr>
<tr>
<td>And That Discussion Is Kept Pertinent</td>
<td></td>
</tr>
<tr>
<td>To The Agenda.</td>
<td></td>
</tr>
<tr>
<td>4. A Quorum Of Members Must Be Present</td>
<td></td>
</tr>
<tr>
<td>For A Meeting To Take Place. A Quorum</td>
<td></td>
</tr>
<tr>
<td>Shall Comprise 50% Or More Of The</td>
<td></td>
</tr>
<tr>
<td>Formal Membership</td>
<td></td>
</tr>
<tr>
<td>5. Decisions Shall Be Made On A</td>
<td></td>
</tr>
<tr>
<td>Consensus Basis; Where Such A</td>
<td></td>
</tr>
<tr>
<td>Consensus Is Not Possible, A Vote Of</td>
<td></td>
</tr>
<tr>
<td>Members Present Shall Be Held With The</td>
<td></td>
</tr>
<tr>
<td>Chair Reserving The Right To Vote A</td>
<td></td>
</tr>
<tr>
<td>Second Time In Order To Break A Tie.</td>
<td></td>
</tr>
</tbody>
</table>
5. Financing of Technical Working Group Activities

5.1 Based upon Transparency and Accountability

1. Financial management of the team activities is based on the principles of transparency and accountability in order to maintain good cooperation among members; ensure accountability of members to their parent organizations; and facilitate completion of assigned activities.

2. To achieve these ends, the following duties are allocated:

5.2 Duties of the Chair with Respect to Finances

The Chair, with support of the Secretary of the Technical Working Group shall:

a. ensure there are sufficient government funds budgeted to run ordinary meetings of the Working Group (based on the Action Plan for 2009);

b. work with each member to support allocation of sufficient budget by the member’s parent organization to enable that member to implement in a timely manner the activity the member has agreed to undertake;

c. work with other donors who may provide logistical and operational assistance singly or jointly.

5.3 Duties of the Secretary with Respect to Finances

The Secretary shall, with respect to managing the finances of the TWG:

a. be responsible for management of the logistical and operational budget for the Technical Working Group;
### Duties of Members with Respect to Finances

Members agree to make clear to the Secretary beforehand the documents required for accountability purposes and their content and to adopt a standard format as soon as possible.

<table>
<thead>
<tr>
<th>5.4 Tugas Anggota Terkait dengan Hal Keuangan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anggota sejak awal bersedia menjelaskan dokumen yang dibutuhkan untuk tujuan akuntabilitas beserta isinya kepada Sekretaris dan sesegera mungkin menerapkan format standar.</td>
</tr>
</tbody>
</table>
Appendix L

Bibliography and References
Key References

Asian Development Bank (2000); *Improving Public Administration in a Competitive World*; editors S Schiavo-Campo, Sundaram, PSA

David Osborne and Ted Gaebler. (1992); *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*. Addison-Wesley Publishing Company, Inc. (also available in Bahasa Indonesia)


Simon Domberger; (1998); *The Contracting Organization – A Strategic Guide to Outsourcing*; Oxford University Press

David Osborne; Pastrik, P; (1997); *Banishing Bureaucracy – The Five Strategies for Reinventing Government*; Addison-Wesley Publishing Company (also available in Bah. Indonesia)

OECD (2002); *Distributed Public Governance – Agencies, Authorities and Other Autonomous Bodies*; pp 198; Publication of the Public Management Committee (PUMA), Paris, 2002

David Osborne; Pastrik, P; (2000); *The Reinventor’s Fieldbook – Tools for Transforming Your Government*; Jossey-Bass

OECD (Feb 1997); *Best Practice Guidelines for Contracting Government Services*; PUMA Policy Brief No 2


Alexander, Ian and Estache, A; Sept 1999; *Infrastructure Restructuring and Regulation – Building a Base for Sustainable Growth*; World Bank, background notes prepared for the IDRC/TIPS conference

Dutz, Mark, Harris C, Dingrha, I, and Shugart, C, *Public-Private Partnership Units; What are They and What Do They Do?* Public Policy for the Private Sector, World Bank Viewpoint Note 311


Luis Andres, Jose Luis Guasch and Stephane Straub; (Oct 2007); *Do Regulation and Institutional Design Matter for Infrastructure Sector Performance?*; World Bank Policy Research Working Paper 4378

Pemerintah Solok (Nov. 2003); *Penerapan Pakta Integritas di Lingkungan PEMDA Kabupaten Solok*

Sheedy, Amanda, MacKinnon, M; Pitre, S and Watling J; (Mar 2008); *Handbook on Citizen Engagement: Beyond Consultation*; Canadian Policy Research Networks

Polidano, Charles (Nov 1999); *The new public management in developing countries*, Institute for Development Policy and Management, University of Manchester

Klaas Schwartz, (July 2007); *The New Public Management: The future for reforms in the African water supply and sanitation sector?* Department of Management and Institutions, UNESCO-IHE Institute for Water Education


HM Treasury, UK (2008); *Doing Business , Managing Performance in the Public Sector – An External Perspective*; available on line at http://thegfp.treasury.gov.uk

World Bank (2006); *Making Services Work for the Poor in Indonesia: Focusing on Achieving Results on the Ground*; INDOPOV and World Bank Office, Jakarta

Shah, Anwar (Dec 2007) *New Public Management; Presentation at World Bank Institute Workshop on Performance Accountability and Integrity, Mostar, December 4, 2007*

Samia Amin, Jishnu Das and Markus Goldstein; (Feb 2008); *Are You Being Served? New Tools for Measuring Service Delivery*; World Bank Publications, Washington, DC

Wilkins John K; (Sept 2002); *Learning from Canadian Innovations in Alternative Service Delivery*; 5th CAPAM Biennial Conference Glasgow, Scotland; United Kingdom; September 7-11, 2002 The Commonwealth Association for Public Administration and Management


OECD (2007); *Linking Regions and Central Governments; Contracts for Regional Development*; OECD Publishing

World Bank (Mar 2008); *Service Delivery and Financial Management in a New Province*; World Bank Office Jakarta

Dorn, James A; *Sustainable development: a market-liberal vision*; Cato Institute; The Electronic Journal of Sustainable Development (2007) 1(1)
Birdsall, Nancy and Nellis, J; *Winners and Losers: Assessing the distributional impact of privatization*; Center for Global Development; Working Paper Number 6; May 2002

Nellis, John; (2005); Reality *Check: The Distributional Impact of Privatization in Developing Countries*; Presentation for the Center for Global Development

Nellis, John; (2006); *Privatization—A Summary Assessment*; the Center for Global Development, Working Paper Number 87 March 2006


Gómez-Ibáñez, José A (Nov 2007); Alternatives to Infrastructure Privatization Revisited: Public Enterprise Reform from the 1960s to the 1980s; World Bank Policy Research Working Paper 4391; The World Bank Sustainable Development

BAPPENAS (2008); *Health Public Expenditure Review 2008*; The World Bank Office Jakarta

Cabinet Office, UK (June 2008); *Excellence and fairness: Achieving world class public services*; available at www.strategy.gov.uk

Economic Regulatory Authority (June 2008); *A Guide to understanding the Code of Conduct for the Supply of Electricity to Small Use Customers*; Government of Western Australia

Institute for Citizen Centered Service (Mar 2004); *Toward Citizen-Centred Service Delivery; A How-to Guide to Service Improvement Initiatives*; Canadian Institute for Citizen Centred Service

Government of Ontario (1999); *Alternative Service Delivery (ASD) in the Ontario Public Sector; A Resource Kit*; Ontario Public Sector Restructuring Secretariat

Government of Ontario; (May 2003); *Partnership Strategy for Horizontal Initiatives; Partnership Strategy and Framework*; Service Delivery Strategy Branch Integrated Service Delivery Division Ontario Ministry of Consumer and Business Services

Government of Canada (1995); *Quality Services - Guide I to XIII*; Treasury Board Secretariat

World Bank (2007); Toolkit: *Approaches to Private Participation in Water Services*; Public Private Infrastructure Advisory Facility (PPIAF)

Government of South Africa (2008); *Municipal Services Delivery and PPP Guidelines 1 to 13*; National Treasury PPP Unit and the Department of Provincial and Local Government

Asian Development Bank (Oct 2008); *Market-Based Approaches for Managing the Asian Environment: A Review*; Working Paper Series No 124
Government of New South Wales (Sept 2008); *Framework for performance improvement in health; Other Industries — Final Report*; Independent Pricing and Regulatory Tribunal

Wilkins, John K; *Conceptual and practical considerations in alternative service delivery*; International Review of Administrative Sciences 2003; 69; 173 available at http://ras.sagepub.com/cgi/content/abstract/69/2/173

Lister, Graham, Flemming, R, Boudioni, M, Dekkers, Jakubowski F and Favelle H; (Jan 2008); *Handling Complaints in Health and Social Care: International Lessons for England*. A report by Evidence Consulting, Copenhagen, Denmark for the National Audit Office, England

OECD (Oct 2008); *Principles for Enhancing Integrity in Public Procurement*; Public Governance Committee

OECD (Oct 2008); *Keeping Government Contracts Clean*; OECD Policy Brief, Public Affairs Division, Public Affairs and Communications Directorate.

Shantayanan Devarajan and Ingrid Widlund (ed.) (2008); *The Politics of Service Delivery in Democracies. Better Access for the Poor*; Expert Group on Service Delivery; Swedish Ministry of Foreign Affairs


Meike van Ginneken, Kingdom W (2008); *Key Topics in Public Water Utility Reform*; Water Working Notes are published by the Water Sector Board of the Sustainable Development Network of the World Bank Group. Working Notes are available on-line: www.worldbank.org/water

ADB (2008); *Indonesia: State-Owned Enterprise Governance and Privatization Program*; Loan 1866 Completion Report


World Bank (2008); *Labor Issues in Infrastructure Reform: A Toolkit*; PPIAF: www.ppiaf.org. (Site provides access to other PPIAF tool kits, as well as information about PPIAF and about how governments and other agencies can access PPIAF resources to accelerate infrastructure development)

Khaleghian, Peyvand and Monica Das Gupta; (Feb 2004); *Public Management and the Essential Public Health Functions*; World Bank Policy Research Working Paper 3220
Anthony Patrinos, Felipe Barrera-Osorio and Juliana Guáqueta; (2009); The Role and Impact of Public-Private Partnerships in Education; World Bank Publications

Junaid Ahmad, Shantayanan Devarajan, Stuti Khemani and Shekhar Shah; (2005); Decentralization and Service Delivery; World Bank Policy Research Working Paper 3602

OECD (2007); Informal Institutions How Social Norms Help or Hinder Development; Development Centre Studies Edited by Johannes Jütting, Denis Drechsler, Sebastian Bartsch and Indra de Soysa OECD (2007);

Baser, Helen and Morgan, P (2008); An analysis of Capacity, Change and Performance; Study Report; European Centre for Development Policy Management


Andrew, Mathew; (2006); Beyond Best Practice and “Basics” First in Adopting Performance Budgeting Reform; Public Admin. Dev. 26, 147–161 (2006) Published online in Wiley InterScience (www.interscience.wiley.com) DOI: 10.1002/pad.401 MATTHEW ANDREWS*World Bank, Washington, DC, USA

Trivedi, Dr Praja; (2005); Performance Contract (PC) An Instrument for Creating Competition in Public Services; (Presentation) The World Bank

USAID (2004); Performance-Based Service Contracts in Navi Mumbai; Note 33, Report PNADB057

ADB (2004); Beyond Cost Recovery: Setting User Charges for Financial, Economic, and Social Goals; ERD Technical Note No 10; David Dole and Ian Bartlett

OECD (2002); Distributed Public Governance; Agencies, Authorities and Other Autonomous Bodies; PUMA


Ferrazzi, G; 2008; “Exploring Reform Options in Functional Assignments”; DSF / GTZ

Schick, Allen 1998; A Contemporary Approach to Public Expenditure Management; World Bank Institute

Indonesian Minister and various MoF officials; Presentations at the seminar titled “International Conference on Modernizing the Budget System”, Jakarta, May 26, 2008


Governance Reform Support Project (GRS II) Working Paper; (2009); Direct and Indirect Costing; Hickling Corporation / CIDA

World Bank (1995); *Bureaucrats in Business;* World Bank Publications


Cabinet Office UK; (1998); *How to Consult Your Users: An Introductory Guide*

Governance Reform Support Project (GRS II); Working Paper *Suggestions for Improving the Process of Formulating Regulations, June 2006*

Nur Cahya Murni, DR. Hari ; MSi, Directorate General Bina Administrasi Keuangan Daerah, Departemen Dalam Negeri; Presentaion titled “GAMBARAN UMUM PERATURAN MENTERI DALAM NEGERI NO. 61 TAHUN 2007 TENTANG PEDOMAN TEKNIS PENGELOLAAN KEUANGAN BADAN LAYanan UMUM DAERAH

Howard Gardner; (2006); *Changing Minds;* Harvard Business Press

Kernahan, Kenneth and Langford JW; (2006); *The Responsible Public Servant;* The Canadian Institute of Public Administration (IPAC)

**Other References, especially on Performance Measurement**

____ (1993); *A Guide to Performance Indicators in Local Government;* Municipal Association of Victoria, February 1993


Asian Development Bank; (2000); *Executive Summary Series: Pacific Public Management Executive Program – Module 1: Managing Policy, Strategy and Performance;* Asia Development Bank Institute, Tokyo, Japan

Haines, Stephen G; (1995); *Successful Strategic Planning;* Crisp Publications Inc; California, USA


Mintzberg, Henry; (1994); *The Rise and Fall of Strategic Planning*; Prentice Hall Europe, London


**Indonesian Infrastructure Services and Regulatory Frameworks**

ADB (2006); *Report and Recommendation of the President to the Board of Directors; Project Number: I NO 40009* October 2006 Proposed Program Cluster, Loans, Technical Assistance Grant, and Administration of Grant from the Government of the Netherlands for the Republic of Indonesia: Infrastructure Reform Sector Development Program

-----; December 2002; Final Report for Urban Poor Data Acquisition and Technical Evaluation (UPDATE) Project; United States Asia Environmental Partnership (USAEP), FORKAMI, and Research Triangle Institute

Dillon Consulting Ltd; January 1999; Final Report - *Towards a Community Based Environmental Sanitation Program for Indonesia; (Volume I and II)*; ADB TA 2805-INO on Strengthening of Urban Waste Management Policies and Strategies

Lucussol, Alain; October 1997; *Indonesia Urban Water Supply Policy Framework*; World Bank, Indonesia Discussion Paper Series No 10, East Asia and the Pacific Region

Mott MacDonald Ltd, November 2003; *Final Report on Water Enterprise Performance – Year 2002 from PERPAMSI's Benchmarking System*; Association of Indonesian Water Supply Companies (PERPAMSI) and the PPIAF / World Bank

PT Virama Karya and Associates; Dec 2002; Organizational Training Needs Assessment – Seven Sectors; ADB Loan 1572-INO; Capacity Building for Urban Infrastructure Management

Stone and Webster; July 2002; *Design of a Regulatory and Institutional Strategy (Interim Report)*; Asian Development Bank and KIMPRASWIL, Indonesia; part of the TA titled “Regulatory Framework for Private and Public Water Supply and Wastewater Enterprises, TA 3761-INO”


PDAM Kota Bandung; 1998 ; *Contract for Taking of Water from the Cikapundung River* with the Perum Otorita Jatiluhur (now Perum Jasa Tirta II)
Australian Standard AS 8000-2003 Good Governance Principles; Australian Standards International Ltd, Sydney, Australia, May 2003

Baker, Bill and Tremolet, S; Oct 2000; *Utility Reform*; World Bank Public Policy for the Private Sector; Viewpoint Note 219

Baker, Bill and Tremolet, S; Oct 2000; *Micro Infrastructure*; World Bank Public Policy for the Private Sector; Viewpoint Note 220

Baker, Bill and Tremolet, S; Oct 2000; *Regulating Quality*; World Bank Public Policy for the Private Sector; Viewpoint Note 221

Coopers and Lybrand; Feb 1995; *Restructuring Options for the Water Division of Jabatan Kerja Raya Perlis, Malaysia* (processed)

Ehrhardt, David; May 2000; *Impact of Market Structure on Service Options for the Poor*; Paper 12 presented at the Conference on Infrastructure for Development, Private Solutions and the Poor

Government of Indonesia; 1998; *Himpunanan Peraturan Perundang-undangan Perusahaan Dareah (Compilation of Laws and Regulations related to Local Government Owned Enterprises – in Indonesia)*; Directorate for Development of Local Income, DG of General Governance and Regional Autonomy (PUOD)

Moynihan, David J; Feb 2003; *Performance-based Budgeting: beyond rhetoric*; World Bank PREM Note Number 78


Pannier, Dominique (ed.); May 1996; *Corporate Governance of Public Enterprises in Transitional Economies*; World Bank Technical Paper No 323

World Bank; Sept 2003; *Making Services Work for the Poor*; World Development Report, 2004

Asian Development Bank; 2000; *Developing Best Practices for Promoting Private Sector Investment in Infrastructure – Water Supply*; ADB Manila, Philippines


Foster, Vivien and Gomez-Lobo A, Halpern J; June 2000; *Designing Direct Subsidies for the Poor- A Water and Sanitation Case Study*; World Bank; Viewpoint Note 211 - Public Policy for the Private Sector

Foster, Vivien and Gomez-Lobo A, Halpern J; June 2000; *Designing Direct Subsidies for the Poor- A Water and Sanitation Case Study*; World Bank; Viewpoint Note 211 - Public Policy for the Private Sector
Alternative Service Delivery - Recommended readings

(from webpage authored by John Wilkins Special Operating Agencies Coordinator of the Manitoba Treasury Board Secretariat, submitted on 5/17/00; Permanent URL for this page: http://go.worldbank.org/2DAJ0D5RO1)


Suggested websites and contacts:

The (US) National Partnership for Reinventing Government Reports (formerly the National Performance Review); [http://govinfo.library.unt.edu/npr/library/review](http://govinfo.library.unt.edu/npr/library/review) (n.b.: this site has a wealth of practical material on all aspects of improving performance that is difficult to locate elsewhere)

Alternative Service Delivery page of the Treasury Board of Canada Secretariat site

Alternative Service Delivery site maintained by the Political Science Department at Miami University in Oxford, Ohio

Alternative Service Delivery Study site maintained by Environment Canada, Canadian Meteorological Centre
The Institute of Public Administration of Canada re: The Alternative Network and the Award for Innovative Management

International City/County Management Association bookstore.

National Academy of Public Administration, United States Public Agencies International Research:

Professor Christopher Pollitt (Erasmus University, The Netherlands)

Professor Colin Talbot (University of Glamorgan, United Kingdom)