



SKALA
Sinergi dan Kolaborasi untuk Akselerasi Layanan Dasar
Kemitraan Australia - Indonesia



Pillar 1

ENGAGEMENT STRATEGY



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Abbreviations

Bappenas	Ministry of National Development Planning
DTKS	<i>Data Terpadu Kesejahteraan Sosial</i> (Integrated Social Welfare Data)
EOPO	End of program outcome
GEDSI	Gender equity, disability and social inclusion
IO	Intermediate Outcome
IPDN	<i>Institut Pemerintahan Daerah Negeri</i> (Institute of Home Affairs Governance)
LAN	Lembaga Administrasi Negara (National Institute for Public Administration)
MERL	Monitoring, Evaluation, Research and Learning
MoF	Ministry of Finance
MoHA	Ministry of Home Affairs
MSS	Minimum Service Standards
OTSUS	<i>Otonomi Khusus</i> (Special Autonomy)
PES	Pillar Engagement Strategy
PFM	Public Financial Management
Pusbinlatren	<i>Pusat Pembinaan dan Latihan Perencanaan</i> (Centre for Planning Capacity and Training)
Regsosek	<i>Registrasi Sosial Ekonomi</i> (Social Economy Registry)
SDI	Satu Data Indonesia

Introduction

The Pillar 1 Engagement Strategy of the Australia Indonesia Partnership – *Sinergi dan Kolaborasi untuk Akselerasi Layanan Dasar* (SKALA) program focusses on the national level engagement of the program, primarily with 3 key ministries (the Ministry of National Development Planning or Bappenas, the Ministry of Finance or MoF and the Ministry of Home Affairs or MoHA). The Pillar 1 Engagement Strategy focuses on end of program outcome (EOPO) 1 to ensure policies and regulations provide a conducive environment that will enable the subnational government to provide improved service delivery (focus of pillar 2) and greater participation of women, people with disabilities and vulnerable groups in planning and budgeting (focus of pillar 3).

SKALA utilises pillar engagement strategies (PES) to provide a clear framework which expands on the program logic developed in SKALA’s initial design. The purpose of these PES is to provide the missing middle between the general theory of change (program logic) by grounding this “theory” in the different implementation contexts or “practices” the program will operate in. This is particularly necessary given the program’s high-level outcomes, broad geographic scope, different scales of operations, and collaboration with government partners across all levels with various capabilities. The PES provide clarity on what SKALA will do, and why, in the different areas the program is operating in.

The PES include two important components: a Theory of Change, which is a description of how and why a desired change is expected to happen in a particular context; and a Theory of Action, which is a practical description of the actions, mechanisms and processes that will bring about the anticipated change, that is, to operationalise the Theory of Change. The PES explain what an intervention’s outcomes are expected to be, what may constrain the achievement of these outcomes in a specific context, how change is expected to be brought about, and the actions that will be taken to deliver an effective program to achieve the stated outcomes.

As primary documents driving SKALA’s implementation, the efficacy of these PES are tested on a periodic basis through the Monitoring, Evaluation, Research and Learning (MERL) system, reviewed ideally annually or at least every two years, and updated as required. This includes testing the assumptions and risks that underpin these strategies. This will help justify shifts in implementation and explain how the program has adapted over time to become more effective. The process also builds institutional knowledge of what is, and is not, working across the program.

SKALA’s overall goal is to “help reduce poverty and inequality within Indonesia by improving basic service provision to poor and vulnerable communities in less-developed regions”. SKALA has 3 EOPOs:

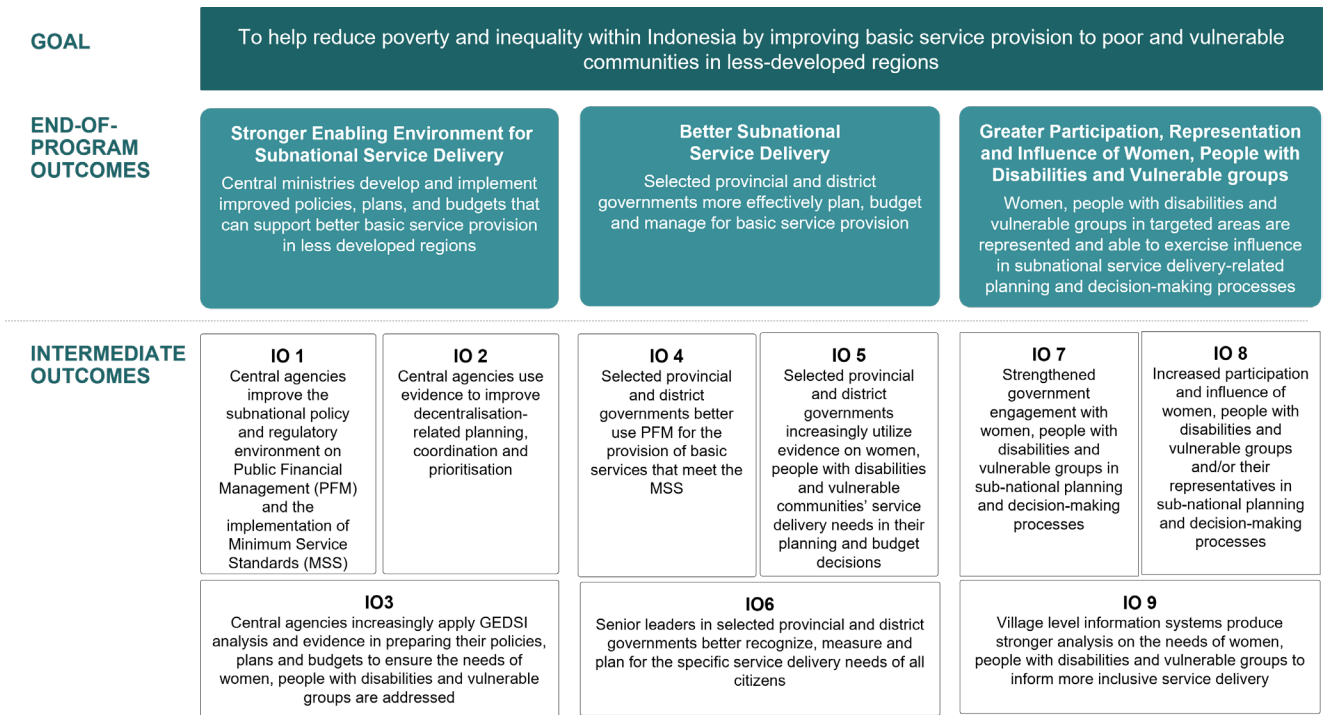


Figure 1. SKALA Program Logic

These EOPOs and intermediate outcomes mapped in the program logic provided in Figure 1 have a high level of interconnectivity and support each other to achieve the overall goal of the program.

Central to SKALA's approach are the poor and vulnerable communities of underdeveloped regions and the constraints they face in accessing minimum basic services. Although this forms the last of SKALA's 3 EOPOs, the representation and influence of women, people with disabilities and vulnerable communities must always be the focus of the SKALA team. This representation and influence is aimed at improved provision of basic services, particularly related to health, education and social welfare. As such, SKALA's work should impact on service delivery units benefiting from improved planning, budgeting and intersectoral support. Given its nature as a governance program, SKALA will look to ensure effective targeting and provision of services through improved provision of micro/village level data and analysis/evidence. Accurate and community-validated data serves to ensure the voice and representation of poor and vulnerable communities can be combined with other relevant datasets. SKALA will seek to ensure analysis responds to key policy questions and is used effectively by local decision makers.

This PES focusses primarily on the agendas and priorities of three national ministries engaged in governance policies and mechanisms addressing poverty, disparity, and service delivery (Bappenas, MoF and MoHA). Other relevant stakeholders able to support or influence the required change are also identified.

1. Theory of Change

1.1 High-Level Contextual Analysis

At the highest level, SKALA needs to consider both global and national trends that may impact national priorities and discourse in Indonesia as well as specific factors identified directly within the key counterpart ministries that may have an impact at both national and subnational levels.

Broader global and national trends are outlined below along with their possible implications for SKALA's national level engagements during the program's lifespan:

1. ***Climate Change*** – resulting in more extreme weather conditions, increased risk of natural disasters and possible displacement particularly of communities impacted by rising sea levels, landslides, earthquakes, floods, and so on and so forth. This creates additional budgetary pressures in dealing with emergencies, including possible food security issues, which can shift attention and resources away from service delivery. This also requires planning processes to be more accurate and scenario based, drawing on enhanced predictive analytic capacity.
2. ***Increasing utilization of (and dependence on) digital technology*** – COVID-19 has added momentum to increasing the uptake of digital platforms, improving the interoperability of systems and application of artificial intelligence. It has also highlighted the disparity of capacity across Indonesia, and the need to strengthen government digital capacity and data protection. This will require enhanced capacity also within the team to appropriately respond to and propose solutions. Strong advocacy will be needed to improve integration of systems resulting in stronger analysis – a task that faces major challenges due to underlying incentives of directorates and ministries to develop and maintain their own datasets.
3. ***Political identity*** – SKALA will span two national and sub-national election periods, amplifying current trends where the identity rather than the policies of candidates have become more influential in garnering political support. SKALA will need to provide strong support to counterpart ministries and work with influential individuals and organisations to ensure service delivery and GEDSI related agendas are strongly incorporated into long-term and medium-term development plans for consistency. Other avenues including through provincial advisory groups, and public communication events could also be used particularly leading up to elections.
4. ***National elections and simultaneous local elections*** – Indonesia's presidential and legislative elections will take place on 14 February 2024. This will then be followed by the first simultaneous election of local leaders (Governors, Bupatis and Mayors) on 27 November 2024¹. This has a number of significant implications for the program overall and specifically in both the

¹ Based on news from <https://news.detik.com/pemilu/d-6556051/jadwal-dan-tahapan-pileg-pilpres-dan-pilkada-2024>
Final and actual dates will be followed in accordance with the National Election Committee <https://kemlu.go.id>

Pillar 1 and 2 Engagement Strategies. Overall, possible disruptions could occur, and these have been factored into SKALA's risk register. For Pillar 1, the elections correlate with the redrafting of the national medium term development plan and the national long term (25 year) development plan. Both of these provide opportunities to influence and incorporate targets and indicators, particularly relating to GEDSI. This is also the case for local governments and may provide a basis for improvements to occur and be tracked.

Fragmented data systems used in planning also challenge stronger Public Finance Management (PFM) and government planning processes. Currently there are several approaches and methodologies undertaken to collect data, managed by different ministries and local governments. This has led to duplicative data collection processes. Beyond wasting resources and time, different data collection methodologies and quality assurance practices can result in different and therefore contested results. From several issue-mapping process (or assessment) with government and relevant parties, we found out that this data is sometimes used interchangeably by the provinces, depending on what situation they may want to present and how this may impact on budget allocations. For example, national survey-based data from NTB province reports a high prevalence of stunting, at 30 per cent of all children in the province. However, initiatives conducted by the province to directly identify the distribution of children (by name and address) affected by stunting concluded that 17 per cent are affected. This presents a dilemma in determining budget allocations to address stunting.

The Government of Indonesia is working to address such data problems in part through the Satu Data Indonesia (SDI) initiative through Presidential Regulation No. 39 Year 2019. The aim of this initiative is to improve data sharing across ministries and with local governments, leading to improved analytics supporting stronger policy decisions. By December 2020, over 40,000 datasets had been interconnected through 43 institutional data portals (Ismani, 2020). However, numerous challenges remain in the implementation of this initiative due to several factors (Ismani 2020), including:

- Inconsistent use of digital platforms and data sharing standards between and among government agencies.
- Overlapping data systems and differences in data collected and presented on the same subject matter.
- Poor data security, data privacy measures, and existing digital divides (capacity and access) across regions
- Limited supply of qualified personnel to support adoption and implementation of open government and open data systems, particularly at subnational levels.
- Need for further regulation and governance mechanisms to provide a legal basis for data sharing and publication.
- Limited guidance on how to use data in government functions, particularly planning and budgeting.
- Data not clearly required in most programmatic planning, and linkages weak.
- Lack of recognition and incorporation of micro-level data required for local government targeting and planning at the village level.

Strong GEDSI initiatives exist in national legislation and policies, which includes the Human Rights Law (39/2009); the People with Disabilities Law (8/2016), a rights-based approach that acknowledges the right of people with disabilities to access basic services and decision making and also regulates data to inform planning and policies; ratification of the Convention on the Elimination of All Forms of Discrimination against Women (8/1984) which recognises the rights of women to education, health, access to development planning and decision making; and the Convention on the Rights of Persons with Disabilities (2011).

Despite this policy framework, efforts to progress implementation have been stifled by poor government capacity and an attitude towards GEDSI that affects planning and budgeting. This is also the point at which adequate allocation of resources is necessary but creates competition with other existing and emerging priorities and agendas. In addition, there are a number of conflicting or unaligned regulations between the national and subnational level which are discriminatory and further hamper the progress of GEDSI agendas.

These issues negatively impact across a range of government functions, including the effectiveness of planning and delivery of minimum service standards (MSS). Initiation of the MSS policy was a strategic move by Gol and is currently well-institutionalized and already an important part of MoHA's business process. Despite the incorporation of MSS in the obligatory function of government, its implementation remains inconsistent across regions due to poor capacity and limited systems to scope and undertake requirements (capacity issues), especially by local governments at the forefront of service delivery. Previous KOMPAK technical assistance has also focused on inputs to support the governance aspects of minimum service delivery, including guidance on MSS unit costing mechanisms to support budgeting at the local government level.

Impacting on the implementation of MSS is the lack of coordination and alignment of policy changes between sectoral ministries and SKALA's 3 counterpart ministries. Several sectoral ministries have sought to enforce refinements to previously issued policies without considering the capacity of local governments to adapt to these changes, nor the requirement for instance within MoHA to revise guidelines in accordance with sectoral changes. Adding to this is the need to better align and synchronize between Bappenas, MoF and MoHA themselves, each with their own systems, processes, and priorities.

Annual disbursements of public funding are poor, particularly in the social sector. This is reflected in the data on underspends, or SILPA (*Sisa Lebih Pembiayaan Anggaran Tahun Berkenaan*), showing overall poor public financial management (PFM) performance across provinces, districts and some national ministries. For example, analysis of government disbursements in 2020 shows that for the month of November, the total amount of undisbursed local government funds amounted to Rp. 123.6 trillion, which decreased (but remained significant) to Rp. 93.96 trillion in December. This highlights the prevalence of poor planning and budgeting, which in turn is linked to the low capacity in project and program planning, especially in local government. Many programs and policies are not based on proper evidence-based assessments, reviews, or analysis. This has led to a higher level of expenditure being spent on meetings and government coordination, creating inefficiencies and delays in actual program delivery. This is exacerbated by differing national and local government development

priorities and political agendas which then require even further intra and inter government levels of coordination and negotiation.

In addressing these problems there are 3 crucial areas that need to be targeted:

- Improving the capacity and institutional arrangement of PFM and MSS implementation at national and subnational level. Currently, the lack of harmonization of regulations on PFM and MSS hampers planning and budgeting processes and MSS implementation. Aligning national and local government development agendas is important to ensure more consistent implementation of PFM and MSS.
- Strengthening the system and capacity of evidence-based planning. This includes harmonization of regulations that enforce the use of data in planning and budgeting processes.
- Strengthening both technical capacity and incentives of national ministry actors in GEDSI-specific analysis and mainstreaming this in budgeting.

1.2 Problem Analysis and Picture of Success

SKALA's EOPO-1 is broken down into 3 IOs, which are considered in turn below:

IO 1 - Central agencies improve the subnational policy and regulatory environment on PFM and the implementation of MSS.

IO 2 - Central agencies use evidence to improve decentralisation-related planning, coordination, and prioritisation.

IO 3 - Central agencies increasingly apply GEDSI analysis and evidence in preparing their policies, plans and budgets to ensure the needs of women, people with disabilities and vulnerable groups are addressed.

IO 1 - Central agencies improve the subnational policy and regulatory environment on Public Financial Management (PFM) and the implementation of Minimum Service Standards (MSS)

Key problems:

- Lack of coordination between relevant ministries including MoHA, MoF, Bappenas, Vice President's Office (responsible for the coordination of planning process amongst ministries), and the sectoral ministries.
- Fragmented policies and regulation on the use of fiscal transfers for basic services (DAU, DAK, DIF, DBH, Dana Otsus and village fund) including for the implementation of MSS, that were produced by different ministries, using different parameters and target based on their specific functions.
- Limited monitoring and implementation of MSS and budget performance at the local level.
- Lack of understanding of the Law on Financial Linkages Between Central and Regional Governments (HKPD), Law No. 1, year 2022, and how to implement it at the subnational level including due to limited bylaws, regulations, and guidelines.
- Human capital and capacity constraints of officials in implementing PFM and MSS systems, including perverse incentives in the planning and budgeting of basic service programs. The frequent reassignments of personnel, in many cases without clear capacity and expertise, have

been detrimental in capacity-building efforts. This problem happens both at central and local government level, although it tends to be more acute at the latter.

- Low local government political commitment on the implementation of MSS due to differing development priorities between local and central government. This is exacerbated by low commitment from the local government in applying MSS because of perceived limited fiscal space. The guidance and supervision role of provincial governments is also weakly defined to provide stronger authority (as well as resourcing) for provincial governments to support and guide district level governments.
- Predictive rather than responsive governance – given the amount of time required between planning through to actual implementation within the annual budgetary cycle and the poor use of data and analysis – the predictive analysis capacity required for planning is weak, resulting in regurgitating of annual plans rather than progression of plans responding to change.
- Lack of consistent application of GEDSI conventions, laws, and frameworks.

Picture of success:

- Improved synchronisation between central agencies, particularly with regards to the implementation of MSS, reflected in a decreasing range of issues identified by local governments emerging from conflicting regulations. This includes clear guidelines relating to the HKPD law.
- Improved policies that ensure sufficient budget allocated for effective and inclusive basic service provision and better spending quality on the provision of basic services in the region.
- Strengthened targets, and tracking mechanisms in place, to support improved implementation of GEDSI requirements.
- Clear national guidelines produced which are accepted and used as point of reference in annual changes to workplans utilizing data and evidence gained throughout the development policy cycle, highlighting also improved capacity within district governments supported by provincial governments clearly mandated and resourced to provide strong guidance and monitoring.
- GEDSI and MSS clearly incorporated into agendas and commitments of elected leaders based on strong pre-election advocacy to ensure candidates are fully aware of their leadership responsibilities within the existing fiscal space.

IO 2 - Central agencies use evidence to improve decentralisation-related planning, coordination and prioritisation

Key Problems:

- Data required by district governments is not readily accessible from central agencies/ministries which hampers improved analysis for both planning and evaluation and vice versa from district to national data flows.
- Poor capacity to clearly formulate policy questions and objectives. Without clear policy objectives and design, there is also limited demand for GEDSI specific data, such as gender disaggregated and disability data.
- Each ministry essentially has their own interest in collecting and collating data and are resistant to processes of validating the quality and reliability of the data which may point to shortcomings

in the data collection process and data management systems. The proliferation of many applications and data systems that in many cases are ad hoc, poorly designed, and not integrated, both at central and local government level, also indicates resistance, or at the very least misunderstanding, in the implementation of the current e-government agenda pushed by the GoI.

- There is a lack of clarity regarding data requirements and capacity to undertake analytics in planning and budgeting. This creates further issues at the local government level. For example, competing data systems for planning and budgeting at the subnational level for poverty reduction and social protection has two separate data systems competing (DTKS vs Regsosek). There are already efforts by national government to encourage the shared access and use of data in planning, such as SDI, but this has yet to be properly engrained into effective implementation at the subnational and even at central level in part due to lack of harmonization also with other planning and budgeting regulations.
- Moving beyond data accessibility, reliability and quality must be improved to be able to be effectively used by policy analysts.

Picture of success:

- There is a well institutionalized and unified data system that is integrated with the planning and budgeting process, including MSS and PFM, starting with better connection of poverty analytical tools (such as SEPAKAT, SIPD and SIKD).
- Increased capacity of GoI planners in formulating policy questions and in conducting analysis in development planning documents, stemming from improved capacity of central government in transferring necessary skills and knowledge (brokered by SKALA).

IO 3 - Central agencies increasingly apply GEDSI analysis and evidence in preparing their policies, plans and budgets to ensure the needs of women, people with disabilities and vulnerable groups are addressed

Key Problems:

- Lack of a clear implementation pathway to translate regulations and policy into programmatic activities or concrete mainstreaming.
- While there is a fairly comprehensive national GEDSI framework, there remains conflicting laws at the national and subnational level (for example on health and education issues), which continue to hinder the progress of GEDSI agendas by creating confusion for government officials, service providers and community members.
- GEDSI-related mechanisms within the planning and budgeting system remain poorly and inconsistently applied. Lack of clear guidelines, capacity and understanding still limits national ministries attempting to apply a gender lens to their business processes including budget tagging.
- The tendency for government and political officials to focus on the majority and non-marginalized groups are limiting factors for greater political commitment. While this problem exists in both central and local governments, this is especially true within the context of provinces or districts that face limited technical capacity and financial resources. Opportunities exist for the public to participate in government planning, budgeting, policy development or in the public service as set

out in the regulations above. However, there are still significant challenges for the public to participate in these forums. For example, West Nusa Tenggara's regulation on people with disabilities was passed without consultation with disabled people's organisations, whilst of Musrenbangs (development planning consultative session) in 70 districts, only 38 per cent involved women's organisations, and only 11 per cent of districts held public consultations with their communities on the local government budget.

Picture of success:

- Implementation of GEDSI laws and GEDSI principles fully integrated into budgeting and planning for the subnational level. This is achieved through improved guidelines and oversight mechanisms for GEDSI analysis in planning and budgeting and examples of an implementation path on particular GEDSI issues.
- Use of evidence in the planning processes to ensure projects and activities meet community needs through improved integration and use of community-based data into national systems.

1.3 Programmatic Boundaries

To ensure the program portfolio does not progress too broadly, a number of programmatic boundaries have also been identified as guidance for the team.

IO1

- Working on governance type issues, which means avoiding going deeply into sectoral programming.
- Working at the implementation regulation planning level, and not at the national law level.
- Not influencing recruitment policy as it goes beyond the purview of partner ministries (MoHA, Bappenas and MoF).

IO2

- Not creating own data/information system, focusing on strengthening and harmonization of available data systems which specifically relate or are relevant to improved minimum service delivery.
- Working within and in support of ongoing government initiatives.
- Utilising other assets and partners such as the policy analyst competency standards operationalized through LAN and the national association of policy analysts, and the Institute for Home Affairs Governance (IPDN) or Pusbinlatren-Bappenas to progress modules and training rather than simply mobilizing technical assistance or developing materials from scratch.

IO3

- Focus of SKALA's engagement is within the development policy cycle and ensuring broader enabling environment components are in place and clearly defined/socialized. Due to the window of opportunity, SKALA will also work on inputs to local government long term and medium-term plans through MoHA and in strengthening MSS action planning.

- This means that SKALA will not engage in public advocacy through the engagement of civil society organisations as this is already the mandate of other programs.

Solutions

IO1

The key strategy of working on IO1 is to build on initiatives already commenced by predecessor initiatives, including by KOMPAK, especially in policy harmonisation and systems strengthening to improve PFM and MSS implementation. For example, KOMPAK introduced costing guidance for two out of 6 areas of basic services mandated under MSS law, for example on health and education. Continued strengthening of this costing mechanism through updating and further expansion to other areas of MSS is a strategic move to strengthen the implementation of MSS. This also requires improved coordination and communication between MoHA, Bappenas, MoF and sectoral ministries as well as advocacy on where new regulations or policies are causing or may cause issues.

SKALA can contribute to better PFM management by supporting *Otonomi khusus* (OTSUS) funds policy implementation in Aceh and Papua. Aceh demonstrated an increased commitment in spending efficiencies in response to the central government's scheduled reduction of their special autonomy budget. The provinces of Tanah Papua are facing challenges due to provincial administrative proliferation. This proliferation creates significant uncertainty for both original provinces and those which are newly established. SKALA can utilize its relationships with central ministry agencies and build on the inputs it provided to the new OTSUS law mandating improved planning and budgeting specifically for service delivery, particularly the relationships between central and local governments. SKALA can also advocate for improved engagement of non-government service providers and use of successful community-based data initiatives such as SAIK+ to strengthen targeting, monitoring, and evaluation of activities by clarifying the advantages and strengths of these providers and systems in improving overall national analysis and outcomes.

Continued support in capacity building across individuals, systems, and institutions, is also vital for SKALA to achieve strengthening of PFM practices and MSS implementation, especially at the local level. Poor capacity in program and activity design is one of the problems that led to the inefficient spending highlighted at the beginning of this document. Again, efforts to improve these capacity problems should build upon KOMPAK's previous work, especially utilizing the relevant training modules and guidance material developed. Partnerships with various stakeholders such as universities or other independent service providers as well as government institutions such as IPDN and LAN will be important to enhance SKALA's capability and efficiency in delivering technical capacity building. In addition, SKALA may also explore the possibility of engagement with other public (universities and think tanks) and private actors that can provide complementary/ supplementary support and services to increase the quality of government planning (e.g., engaging with the Indonesian consultant association to develop mechanisms that enable them to better assist the local government with their planning and budgeting documents, and capacity within local government to procure services).

SKALA's effort in improving PFM should explicitly address incentives and political commitment for

better quality planning, budgeting, and spending, and to the extent possible, local revenue. There is a need to create a better incentives structure to address the prevailing problem of inefficient spending. This can be done by strengthening monitoring and evaluation systems which in turn is connected to clear incentive mechanisms. There is also a strategic need to engage with a range of stakeholders such as civil society organisations and Universities, that may serve as advocacy partners in pushing greater commitment for better planning and budgeting and MSS implementation, particularly at local government level. Facilitating dialogue and discussion between the central government and local government is also strategic to address trust deficits over key areas of contention that hamper MSS implementation such as recognition of limitations that districts face in implementing MSS.

IO2

Ongoing efforts from the government in harmonising data and collaboration with central data and information units such as PUSDATINRENBANG and PUSDATIN KEMENDAGRI are strategic entry points. This policy space should be utilized to both harmonize competing data systems for planning while also strengthening systems and improving governance and agreement on standards to achieve improved interoperability.

Strengthening the data connectivity at the subnational level. In this case the e-wali data structure under SDI will be considered to test the extent which strengthening the structure is strategic and sustainable.

In addition to addressing supply side problems of data utilization in planning, there is a real need to also address the demand side for data, especially GEDSI-specific data as elaborated in the previous section. Therefore, SKALA should also engage in capacity building of individuals and enhancement of systems and analytical processes to address this lack of capacity in formulating policy objectives and policy questions.

For these technical activities to be effective, SKALA should also address the current incentive structure in utilization of data in planning. Collaborative advocacy efforts with other stakeholders is imperative at the national level to align differing actors' interests that causes competing data system problems. Considering that this data system area is of strategic interest for many partners, advocacy in this area will be quite challenging and require careful planning. This includes using mock data to produce prototypes providing clarity of what can be achieved if data systems are interlinked with clear policy objectives and analytic capacity.

IO3

Adopting the twin track strategy within SKALA activities. The SKALA GEDSI Strategy combines GEDSI-integrated interventions in substantive work across program pillars, and organisational functions, processes, and GEDSI-targeted interventions for specific problems with specific vulnerable groups. To achieve the program's objective, SKALA will identify strategic entry points and design interventions where twin-track interventions and activities are complementary and mutually reinforcing. This aligns with the twin track approach to disability inclusion, outlined in DFAT's Development for All strategy. Essentially, the twin-track approach combines disability-specific initiatives (which provide people with

disabilities with targeted support they need to participate fully in society and everyday life), with mainstreaming approaches (which ensure that broader systems, policies, and services include and benefit people with disabilities).²

A notable component of the incoming national long term development plan (RPJPN) is the intent to replace the Gender Development Index with the Gender Inequality Index. This reflects a move towards greater equality between women and men. This provides an opportunity for SKALA to influence the GoI National Strategy on Acceleration of Gender Mainstreaming and effective monitoring of the Gender Inequality Index. The draft has also incorporated key policies on gender equality (increasing access to basic services, women's leadership and decision making as well as gender mainstreaming).

GEDSI related planning is inherently more complex, due to its multiple steps required, specific data, and more importantly the specific mindset of strong understanding of its principles. Therefore, technical capacity building remains a key important area that SKALA should support for its partners and stakeholders.

SKALA should also engage with the issue of incentives and commitments of government in tackling GEDSI issues and applying these principles within business processes. This can be achieved through collaborative advocacy with partners to ensure government commitment to GEDSI issues, particularly civil society stakeholders that might serve as a countervailing mechanism. This includes working collaboratively with other DFAT investments and development partners programs to explore synergies and to increase DFAT's overall impact in gender equality and inclusion in Indonesia.

Blockers

IO1

A risk to be managed is that of becoming embroiled in political contestation and competing agendas of central ministries.

Another sensitive and potentially complex issue is the inability to change the root cause of perverse incentives of government employees, such as recruitment and pay structures. Finally, there is a lack of incentives to integrate data and at times active sabotaging of efforts to enhance transparency as well as accountability.

IO2

For these technical activities to be effective, SKALA should also address the current incentive structure in utilization of data in planning. Collaborative advocacy effort with other stakeholders is imperative at the national level to align differing actors' interests that cause competing data system problems. Considering that this data system area is a strategic interest for many partners, advocacy in this area will be quite challenging and require careful planning.

² Department of Foreign Affairs and Trade (2021) Disability inclusion in the DFAT development program: Good practice note.

IO3

As SKALA progresses into implementation of GEDSI requirements, this will be affected by availability of resources, and so blockers may occur towards funding requirements. Also cultural and religious attitudes can impact as blockers.

2.Theory of Action

2.1 IO1

SKALA sees two key areas of focus in its support for an improved subnational policy and regulatory environment. First, local governments must have sufficient funds to meet their minimum service requirements. These include national transfers as well as own source revenue. Second, existing policies and regulatory frameworks must support local governments to undertake quality spending on service delivery.

SKALA will employ 3 main approaches to improve the quality of PFM and MSS implementation: (1) Regulations and systems strengthening, (2) capacity building and (3) Advocacy to align key actors' incentives and commitments to good PFM and MSS implementation.

Regulations and systems strengthening

SKALA will use a mixed modality of TA provision in research and policy analysis of PFM and MSS governance, support for partner ministries' strategic activities that may lead to policy harmonization and implementation in the areas of PFM, MSS, GEDSI and advocacy for support and buy-in for specific reforms or policies. Several activities that fall within this area are:

- Assist central ministries in the Implementation of the new law that governs the fiscal transfer from central to local government (HKPD).
- Support MoHA in the development of MSS costing frameworks, training systems, action planning and M&E systems and incentive/disincentive mechanisms connected with the MSS system.
- Assist and facilitate central ministries in the policy design and implementation framework for OTSUS funds, especially in Aceh and Tanah Papua.
- Strengthen coordination between relevant ministries and central agencies.
- Provide analysis and policy inputs to highlight problematic areas requiring improvements.

Capacity building

The activities to be delivered are in the form of training programs, workshops and seminars for government officials and other relevant stakeholders. Training programs will utilize an extensive body of material already developed and tested by KOMPAK and other sources. Also targeting government institutions that are already mandated for capacity building of government institutions such as the National Public Administration Institute (LAN), IPDN, PUSBINLATREN Bappenas, BPSDM and others. To increase sustainability of capacity, SKALA may leverage cooperation with other stakeholders such as educational institutions or other private independent learning institutions to ensure the knowledge for capacity building can be retained and continue post SKALA. Under consideration is collaboration with the consultancy agencies as a way to engage the private sector, in line with Bappenas Ministerial Regulation No. 4/2018.

Key areas for capacity building to improve policy and regulatory environment of PFM and MSS implementation are:

- Capacity building and systems strengthening for MoHA and Bappenas in MSS costing, planning and analysis to be able to provide support and supervision to its implementation at the subnational level.
- Build capacity for relevant stakeholders, especially civil society organisations, educational institutions and consultancy firms in planning, budgeting, and spending monitoring mechanisms. This may include capacity building for these institutions to be more effective in filling the consultant role to supplement government needs.
- In order to ensure sustainability, capacity building will seek to ensure that this is undertaken with and through existing institutions and organisations within the relevant development ecosystem. This still will utilize short term/ad-hoc type of events such as “socialization” and technical workshops (Bimtek) but will seek to transition and emphasize long term approaches and the eventual transfer of capacity using BPSDM MoHA, IPDN, BappelitSDM Bappenas, and relevant university networks to such as the regional finance strengthening network coordinated by MoF.

Advocacy

SKALA will not require a high level of external advocacy activities in this area, as most efforts to introduce reform will be undertaken collaboratively drawing on the strength of existing relationships and capacity within the team. SKALA will participate in events undertaken by other programs promoting civil society engagement where necessary. Much of SKALA’s advocacy support will target improving the capacity of counterpart agencies in socializing policies and broadening public knowledge of agendas and priorities within SKALA’s scope of work. This can be delivered through a range of events and reports, including workshops and seminars presenting policy briefs and recommendations, for instance in promoting more inclusive local political leaders in the lead up to the upcoming subnational elections.

Key areas for PFM and MSS advocacy:

- Collaborate with key development partners to support advocacy activities underpinning better PFM and MSS implementation, including data and information transparency.
- Use influence of key national figures in promoting improvements in provinces including special autonomy regions.
- Encourage a series of seminars and talk shows undertaken by central ministry officials on the mandatory functions of local governments which must be fulfilled by candidates of local elections.

2.2 IO2

Under this IO, SKALA will support the harmonization and integration of data and planning and budgeting systems supporting improved implementation and delivery of MSS, in line with the policies of SDI. This includes provision of technical assistance to the relevant ministries in implementing this harmonization and integration, and advocacy to strengthen central government actors’ commitment to the harmonization of data systems and the use of evidence to support planning and coordination.

The activities within this area of work will be delivered through mixed modalities of technical assistance, central ministry activity support that is strategic for policy harmonization of data-development planning systems and collaboration with partner stakeholders to produce effective evidence and recommendations for discussion and uptake. This includes strengthening of analytic processes to formulate clear policy research agendas requiring specified data and datasets.

Regulations and system strengthening

Policy and regulations that will be SKALA's focus to support IO2 are:

- Support implementation of SDI policy.
- Strengthen the institutional implementation of the SEPAKAT system as an analytic tool in development planning. Including work on improving the user interface and simplifying usage attuned to the needs and capacity of subnational government planners.
- Collaborate with the Data and Information units of Bappenas, MoHA and MoF to improve the integration of systems including interoperability with local initiated data systems.
- Integrate locally generated information systems into national level data needs and requirements, for instance in undertaking MSS action plan development through to monitoring implementation and updating of action plans, and in support of village financial systems (SISKEUDES).

Capacity building

Key areas that will be supported for IO2 are:

- Support technical integration of subnational data system to national data system (i.e., supporting technical integration of local/village information system (SIGAP, SAIK+ SIO Papua, SID) with national data platform (SEPAKAT Desa).
- Develop capacity building framework for the subnational government, especially in the usage of data in planning particularly for MSS roll-out.
- Strengthen e-wali-data structural support.
- Improve analytic capacity and better formulation of policy questions and agendas.
- Improve contestation of analysis to strengthen policy recommendations.

Advocacy

Advocacy in IO2 will focus on supporting the central government actors to commit to an increased use of evidence to improve planning, coordination, and support to subnational agencies' service delivery agenda. Several strategic areas for advocacy are:

- Support collaboration between key central government ministries to agree on coherent data to be used in planning, commencing with clarity of policy questions.
- Collaborate with central government stakeholders to enable support towards reform initiatives that harmonize the data-planning system integration.
- Prototype and experiment with data sets to provide clear examples of the advantages in having improved integration and interoperability of systems.

- Promote awareness and knowledge through national and international knowledge sharing events.

2.3 IO3

Regulations and systems strengthening

SKALA should strengthen the implementation framework of various National Action Plan and policy commitments at the central level. This includes facilitated coordination and undertaking policy dialogues among central ministries, as well as with selected subnational governments on strengthening gender mainstreaming and disability inclusive development as well as other issues of social inclusion.

Continue providing support to central ministries and subnational governments to develop disability inclusion action plans at subnational level. Activities includes:

- Identify key GEDSI priorities in the central ministries (MoHA, Bappenas, MoF) related to service delivery.
- Develop key policy questions related to GEDSI and service delivery.
- Analyse how the central ministries use GEDSI relevant evidence in policies, plans and budgeting.
- Identify key actors and champions for GEDSI reforms.
- Progress key inputs to central ministries in guiding local governments in developing of their MSS action plans, long term development plans and medium-term development plans to ensure effective incorporation of GEDSI indicators.

Capacity building

- Identify capacity building needs for the central ministries on GEDSI.
- Conduct capacity building for the government on the importance of GEDSI, to address specific needs of women and people with disability, using data/evidence for policy, plans and budget.
- Provide technical support on policies and program activities such as: SPM, SIPD [MoHA] *Dana Abadi* (endowment fund), Dana Insentif Daerah (regional incentive fund), Otsus Fund [MoF] SEPAKAT/SAIK+ [Bappenas].

Advocacy

- Raise awareness and provide technical advice to the central ministries to develop and implement inclusive policies related to basic services delivery.
- Identify opportunities to collaborate with other DFAT programs and development partners in PFM areas.
- Provide sensitivity workshops not only on gender and disabilities but also in working and interacting with traditional/adat communities.
- Work on identifying champions from both government and non-government, profiling and/or support for awards in this category to provide further political incentives to champions of GEDSI work.

3. Activity Decision Making Criteria

The following criteria were proposed through the design process:

Criteria	Details
GEDSI	Potential to progress SKALA’s GEDSI ambitions and proposed approach (mainstreaming and/or targeted). Has the activity considered the SKALA GEDSI Strategy in the design?
Program Coherence	Alignment with specific IOs in the SKALA program logic and complementarity/synergies with other planned SKALA activities and/or DFAT/other development partner activities.
Results and risks	Anticipated results and potential pathway for increasing impact at scale, weighed against the risks (e.g., risk of not achieving results, reputational risks, execution risks, ability of partners to implement etc).
Sustainability	Activities aim to contribute to change in service delivery and GoI priorities; have the potential to scale up or out; adaptability in design process with clear outcomes; is the activity appropriately resourced and budget available in GoI systems.
Design effectiveness	Sound design principles, with a clear purpose and likely impact of catalytic change, with demonstrated transparency and accountability reforms.
VFM	Appropriately budgeted and not a duplicated activity.

Aside from the criteria agreed to with Bappenas in the governance framework, which are more general, a number of key factors should be considered by the team in supporting initiatives proposed by counterpart ministries. These include the following considerations:

- Activities that can be effectively implemented and sustained with available resources and existing stakeholders' commitment to ensure high sustainability post-SKALA.
- Activities backed by robust evidence and data, including from the experience of KOMPAK.
- Activities that will provide measurable impact, minimizing niche and narrow activities that do not align with SKALA’s thematic interests.
- Activities that promote application of advanced analytics and research to facilitate responsive and transparent planning and budgeting.
- Activities that support linkages across IOs and/or are oriented towards improved inter and intra-

ministerial collaboration.

4. Coherence and Cooperation

Broadly speaking, SKALA functions in 3 ways, or through “3-Ps”:

- providing critical practice space to scale effective practices/*praktik*.
- ensuring effective monitoring, evaluation, and research to ensure learning is achieved to continue adapting and strengthening its approach/*pembelajaran*.
- by effectively advocating findings and influencing areas requiring reform within Indonesia’s complex decentralization environment/*pengaruh*.

As outlined in the previous sections, the “*Praktik*” function of SKALA in EOPO 1 consists of regulatory and systems strengthening activities, which includes capacity building within and between central ministries to ensure that in turn they are providing effective and clear guidance and frameworks to local governments in delivering MSS with the support of strong public finance systems, particularly in applying the HKPD and new special autonomy laws (IO-1). The systems strengthening also includes data systems which continue to be a huge challenge, not only in ensuring the quality of the data, but also accessibility of data across different ministries. This includes the need to better integrate locally generated information systems (LOGIS) such as SAIK+, SIO and SIGAP, as these systems provide micro level insights which are required particularly for inclusive targeting and programming. LOGIS datasets themselves must be further combined with other data sets in order to provide sufficient evidence for policy and detailed programming decisions. As such, a strong element of SKALA’s systems strengthening work will need to be on improving interlinkages and interoperability of systems. These will also support GEDSI frameworks to be operationalized into planning and budgeting processes due to the level of disaggregation made possible through LOGIS (IO-3).

The broader process of better understanding how central agencies can use evidence to improve decentralization related planning, coordination, and prioritization (IO-2), will require further research and analysis to be conducted through the “*Pembelajaran*” or learning function of SKALA. This needs to look beyond the symptomatic issues emerging from poor planning, coordination and prioritisation, and present evidence of the cost of poor efficiency and effectiveness.

Presentation and discussions hopefully leading to systemic and behavioural change requires a broad range of stakeholders pushing and influencing in the same direction. This is where SKALA’s “*Pengaruh*” function comes into play, by not only supporting central ministries in influencing local governments to perform better, but in also incorporating and presenting the evidence of where efficiencies and effectiveness gains can be achieved, whether through better integrated data, better aligned regulations, functioning systems, or improved capacity across different levels of government. Cooperation with other programs and development agencies will also mainly come about through the “*Pengaruh*” function in jointly advocating required improvements. At the Pillar 1 level, this allows SKALA to effectively cooperate with INOVASI, INKLUSI, KIAT, PROAKTIF, PROSPERA, AIPJ2, and others as needed.



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