

INDONESIA

Methodology: The case study team carried out 31 interviews and site visits in-country, including with USAID/Indonesia, project implementers, project beneficiaries, and other donors in the region. Fieldwork occurred between May 27 and June 10, 2015. Interview data were complemented by background documentation from USAID/Indonesia and other stakeholder sources.

Country Context: Over the last decade and a half, Indonesia has made great democratic strides. It transformed its centralized authoritarian regime to a decentralized democracy in which both national and local legislatures and judiciary bodies have a voice in policies and programs. The shift created increased political stability, which supported Indonesia's economic growth and contributed to its ascent to the world's tenth largest economy and role as a regional leader. Nonetheless, employment growth has been slower than population growth, and quality of and access to public services remain inadequate by middle-income standards. Maternal and child death rates are high and 17% of the population lives below the international poverty line. The Indonesian government's recent Annual Work Plans seek to address these issues through a focus on safety and peace; justice and democracy; and prosperity.

Mission Factors: USAID/Indonesia pursues its relationship with the Government of Indonesia (GOI) as a partnership, rather than a traditional donor-beneficiary relationship, and thus aligns its priorities closely with those of GOI. The Mission identified governance and service delivery as the two major constraints Indonesia faces in reaching its development goals across sectors. The Mission's 2009-2014 Country Development Cooperation Strategy (CDCS) piloted DRG integration in Indonesia by pledging DRG Office support to help local governments meet water and sanitation needs by addressing policy development, budget execution, and resource allocation, among other areas. In the 2014 CDCS, cross-sectoral DRG integration was expanded to health, education, and the environment. Though the Mission's strategy prioritizes governance as a cross-sectoral theme, implementation challenges exist. Much of the Mission's funding is earmarked, restricted to certain activities and requiring reporting using prescribed indicators. Mission staff, especially Front Office staff, are generally enthusiastic about using earmarked funds for DRG work, and while their pushback on USAID/Washington has allowed for integration, earmarking of funds remains a significant challenge. Additionally, core DRG funding has decreased since 2011, making it difficult for the DRG office to design standalone programs. While many projects have integrated goals, only one existing Mission project at the time of the case study received cross-sectoral funding from DRG.

Intentionality of Integration Efforts: DRG integration has been pursued intentionally with clear objectives, including: addressing the systemic issues that hamper the service delivery; addressing corruption that affects all sectors; improving service delivery by providing support to local governments and civil society organizations (CSOs); and promoting program sustainability by bolstering stakeholder ownership and building the capacity of institutions to become self-sustainable. USAID/Indonesia incorporated integration in its 2014 CDCS by creating two cross-cutting Development Objectives (DOs): "Democratic Governance Strengthened" and "Essential Services for the Poorest and Most Vulnerable Improved." The Mission created an internal cross-sectoral taskforce to develop an implementation strategy for the CDCS, including working within the limits of sectoral funding streams. Intervention approaches have included: supporting policy reforms by building stakeholder capacity to engage in the policy development process; strengthening the capacity of CSOs involved in the provision or oversight of services; supporting community dialogue to improve service delivery through tools such as Multi-Stakeholder Forums (MSFs) and complaint surveys; and conducting political economy analyses to understand how political and economic factors affect access to services and to inform design of programs that address these issues. These interventions have been utilized toward DOI and DO2 in the areas of education, health, the business-enabling environment (BEE), and environment.

Achievements: USAID/Indonesia has achieved managerial and technical successes in DRG integration. The integrated CDCS and DOs institutionalize cross-sectoral coordination, allowing the DRG Office to increasingly play a role in project design across sectors. Furthermore, the Mission appointed DO Team Leads (senior FSNs) who have the responsibility and authority to develop DO strategy and promote integration. Additionally, the Program Office has been instrumental in establishing cross-sector indicators. In the technical realm, the Mission has seen successful application of DRG expertise toward improving outcomes sectors. The Kinerja program aims to improve service delivery in health, education, and BEE, working with varied levels of government to improve service delivery and collaborating with CSOs and local media to improve demand for better service delivery. This activity has received buy-in across technical sectors, and utilizes Health and Education funding. PRIORITAS, another program, seeks to improve education management and governance to address issues such as teacher absenteeism, and partners with local CSOs to achieve its goals. The IUWASH program drafts annual work plans in collaboration with local governments to increase the capacity of water service providers and improve access to water and sanitation services for low-income populations.

Challenges: While much of the USAID/Indonesia staff is enthusiastic about DRG integration, resistance does exist. For example, the Health Office has extensive experience with systems strengthening and is less likely to look to the DRG Office for support. The case study team noticed a lack of understanding among some staff as to how DRG integration benefits their sector, as well as a feeling among staff that the DRG Office must prove its value-add in order to justify funding for cross-sectoral programming. The Mission is seeking to address these issues by strengthening management of DOs and by creating opportunities for DRG officers to understand sectoral issues more comprehensively so they can propose relevant ideas for DRG integration. As noted above, earmarks and initiatives complicate integration. The Mission recognizes that when preparing new awards, it must add requirements for cross-sectoral reporting. The administration of integrated projects is more time-consuming and taxing for staff, though this may improve as the Mission moves beyond its transition to an integrated CDCS.

Conclusion: USAID/Indonesia is clearly a leader in the promotion of DRG and cross-sectoral integration. While the case study team's visit was brief and its investigations remained at a relatively high level, a number of lessons emerged and are outlined below.

- **DRG is a natural driver of cross-sectoral integration:** The DRG office in Jakarta played a critical leadership role in using governance/rights approaches to promote cross sectoral integration. The office designed two flagship programs (Kinerja and PROREP) that cut across sectors and use DRG approaches to achieve results in health, education, economic growth and environment. The office also led the way in supporting specific sectors like environment through DRG programs (SIAP2 and E2J). We did not find evidence of any other initiatives emanating from sectoral offices that worked to resolve development concerns across sectors. This finding has a number of implications:
 - i. As DRG funding decreases so will the ability of the DG team to successfully promote cross-sectoral integration;
 - ii. In spite of being designed to address an integrated CDCS, none of the projects recently designed work across sectors; and
 - iii. DRG integration and cross-sectoral integration are closely intertwined: the strongest case about DRG integration can be made within cross-sectoral programs.
- **DRG specialists need to deepen their understanding of sector-specific concerns:** This lesson derives naturally from the previous lesson. As DRG integration happens more frequently and sectors develop their own expertise designing and implementing integrated programs, they will feel that they need DRG support less and less. The health sector is a case in point: with their long expertise working on health systems (which is often equated with health governance), Health officers assume that they do not have much to learn from their DRG colleagues. They argue that

governance specialists that emanate from the health sector will have a deeper understanding of complex health issues than their DRG counterparts. One solution proposed by an interviewee is to match up governance experts with sectoral experts and/or to detail DRG officers to sectoral offices for a given period of time. Interestingly, the current DO2 Team Lead and MNCH specialist personally had the inverse experience: when the new DO structure was being put into place, she volunteered to act as DOI (DRG) Deputy Team Lead. She indicated that, through this experience, she gained a deeper appreciation of DRG approaches' added value. She has since become a strong advocate for DRG integration.

- **Sectoral governance interventions should be coupled with sectoral technical interventions:** As previously noted, the Kinerja impact evaluation failed to demonstrate an impact of governance interventions on sectoral outcomes in education and, to a lesser extent, in health. The case study team received different interpretations of these disappointing results, including built-in flaws in the methodology. The interpretation that appeared most reasonable to the case study team came from the Kinerja Chief-of-Party. She argued that the fact that Kinerja did not have any sectoral technical interventions at least partially explained the results: “the midwives may treat pregnant women better as a result of Kinerja interventions,” she argued, “but if they do not have the necessary skills to safely deliver babies, infant mortality statistics will not improve.” This is a potentially potent argument in favor of deeper program integration, or at the very least of close coordination between DRG sector focused interventions and purely sectoral programs.
- **For DRG integration to succeed it must be a clear priority for the DRG team:** As the EMAS experience demonstrated, participating in sectoral program design teams can be counterproductive if it is not followed by an involvement of the DRG Office in program implementation. This argument was made forcefully by the health office interviewees and DRG staff, confirming that competing priorities had limited the office's ability to contribute to EMAS's implementation and that this had been at least partly responsible for the limited DRG integration that is taking place under that program.
- **Empowering FSNs to play a leading role in DRG integration pays off:** The Mission's decision to capitalize on a talented pool of Indonesian staffers by giving them leadership responsibilities in the new DO team structure is an important factor in building lasting ownership over the strategy. The DOI and DO2 Team Leads are highly respected and are among the strongest and most effective advocates for the new Mission strategy. Their appointment is opening up new career pathways for FSNs and gives them an incentive to stay with USAID and work for the strategy's success.
- **Earmark and initiative owners will accept compelling arguments for integrated programming:** It is evident that Mission staff, notably staff from the Program Office, have a strong grasp of the scope of indicators under all program areas, including governance indicators that are sub-elements of many sector funds. Program Office staff also recognize that their mandate is to carry out the Mission's integrated strategy, and to work creatively to do so. As a result, the Mission has been willing to push back on Washington regarding funds usage. Bolstering their argument to Washington is their explanation that cross-sectoral work is essential for carrying out a strategy that articulates governance as a central problem. The Mission has also laid out the evidence well, pointing to neutral sources like Inclusive Growth Diagnostic findings as reasons for addressing governance. The Mission notes they did not get all they wanted after first devising their budget based upon where they thought earmarks fit best. But pushing Washington to be more open to the Mission's interests and interpretations clearly paid off.