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Capacity Development for Local Organizations: Findings from the Kinerja Program in Indonesia

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A working paper of the
Governance and Economic Development Division,
International Development Group,
RTI International

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ABBREVIATIONS

BEE	business-enabling environment
CHS	complaints handling survey
CSR	corporate social responsibility
ECDPM	European Centre for Development Policy Management
EJ	East Java
GPPA	Grants Project Proposal Assessment
IDG	International Development Group of RTI
IO	intermediary organization
LGSP	Local Governance Support Program, Indonesia (precursor to Kinerja)
LPSS	Local Public Service Specialist
MCH	maternal and child health
MON	Memorandum of Negotiation
MSQ	Management System Questionnaire
NGO	nongovernmental organization
OECD	Organisation for Economic Co-operation and Development
OSS	one-stop shops
PTD	proportional teacher distribution
RCT	randomized control trial
RFP	request for proposals
RTI	Research Triangle Institute International
SBM	school-based management
SVAT	Site Visit Assessment Tool
USAID	United States Agency for International Development
WK	West Kalimantan

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INTRODUCTION

Capacity and capacity development have been key concerns of the international development community since the start of foreign assistance following World War II. Donor projects and programs have aimed to increase capacity through a variety of interventions, ranging from resource transfers to training to organizational strengthening. Debates continue regarding the effectiveness of capacity-development interventions to contribute to achieving sustainable socioeconomic results. However, such debates notwithstanding, donor assistance policy—driven by the Organisation for Economic Co-operation and Development’s (OECD’s) 2005 Paris Declaration, and reinforced in the 2008 Accra and 2011 Busan meetings—is increasingly focused on promoting country ownership, channeling aid through country systems, and working with local organizations (OECD, 2005, 2011).

In 2010, the US Agency for International Development (USAID) launched USAID Forward, a strategy that, among other reforms, includes stronger targeting toward “working with more local organizations in developing countries to improve their capacity, build new effective and long-term partnerships, and reduce the need for foreign aid over time. By building capacity, not dependence, increased partnership with the private sector, civil society, and foreign governments will spur investment and growth while improving transparency and accountability.”¹ Engaging local organizations in implementation of donor-funded projects and building their capacity through the process are worthy goals, yet how to achieve those aims remains incompletely understood. The surface simplicity of the terms, capacity and capacity development, masks their underlying complexity, as well as the lack of agreement on their definition or on effective approaches to building capacity (Brinkerhoff & Morgan, 2010). Policymakers and practitioners working with local partners on development projects need a clearer grasp of the definitions of these terms and the factors that influence local organizations’ performance as development partners. Such increased understanding can contribute to improved project design, better implementation, stronger outcomes, and more realistic expectations regarding the role of local organizations.

The purpose of this paper is to examine a concrete example of involving local organizations in a donor-funded project to shed light on these capacity and performance issues. We selected a USAID-funded program in Indonesia that focuses on service delivery innovations at the district government and community levels and engages local organizations as the delivery mechanism for technical assistance to local government and public service delivery units. The program, known as *Kinerja* (performance in Indonesian), works in 24 districts in five provinces, and supports front-line service delivery improvements in health, education, and business licensing. In many ways, *Kinerja* is a learning laboratory for operationalizing the USAID Forward strategy of delivering programs through local organizations. *Kinerja* illustrates many of the challenges of working with local organizations, and offers lessons both for other projects in Indonesia that partner with local organizations, as well as more generally for similar projects in other countries.

Our study explores the role of local organizations providing technical assistance to district-level governments and identifies the contributions of core capabilities and the need for a focus on capacity

¹ See: <http://www.usaid.gov/usaiddforward> (visited June 26, 2012).

development to strengthen the ability of local organizations to fill such a role. It illuminates the disjuncture between the theoretical advantages of the OECD donor-country cooperation principles (including USAID Forward) and the realities of working through local organizations and country systems. We found that our Kinerja case study organizations were often weak in terms of several core capabilities that were important for successfully providing technical assistance to local governments. Some organizations were able to strengthen their capacity through working with Kinerja, but these gains were rarely seen in the particular capabilities needed to enhance performance. Similarly, these same capabilities were given the least emphasis in program tools to assess capacity. Based on these findings, we raise questions about the assumptions underlying program designs and offer suggestions for improving future projects that aim to strengthen local organizations by working through them. While our findings focus on Indonesia, they are likely to have implications for comparable programs in other countries.

In the following section we discuss the study's research questions and elaborate our analytic framework. After introducing the Kinerja program, we turn to the methodology and introduce our data and results. Next, we discuss our findings and the answers to our research questions. The paper concludes with recommendations and some final observations.

ANALYTIC FRAMEWORK AND RESEARCH QUESTIONS

The study explores the answers to two research questions. First, what capacity-related factors affect local organizations' performance in providing technical assistance to district governments for front-line service delivery improvements? In answering this question, we seek to deconstruct the concept of capacity so as to isolate those aspects that help to explain what differentiates higher performing local organizations from lower performing ones. The field of study of capacity and capacity development is replete with models. Our exploration relies on one developed by the European Centre for Development Policy Management (ECDPM), discussed in detail below (Baser & Morgan, 2008). In combination with the ECDPM model, we build on earlier work on factors influencing nongovernmental organization (NGO) capacity and performance in Indonesia (Antlov, Brinkerhoff, & Rapp, 2010).

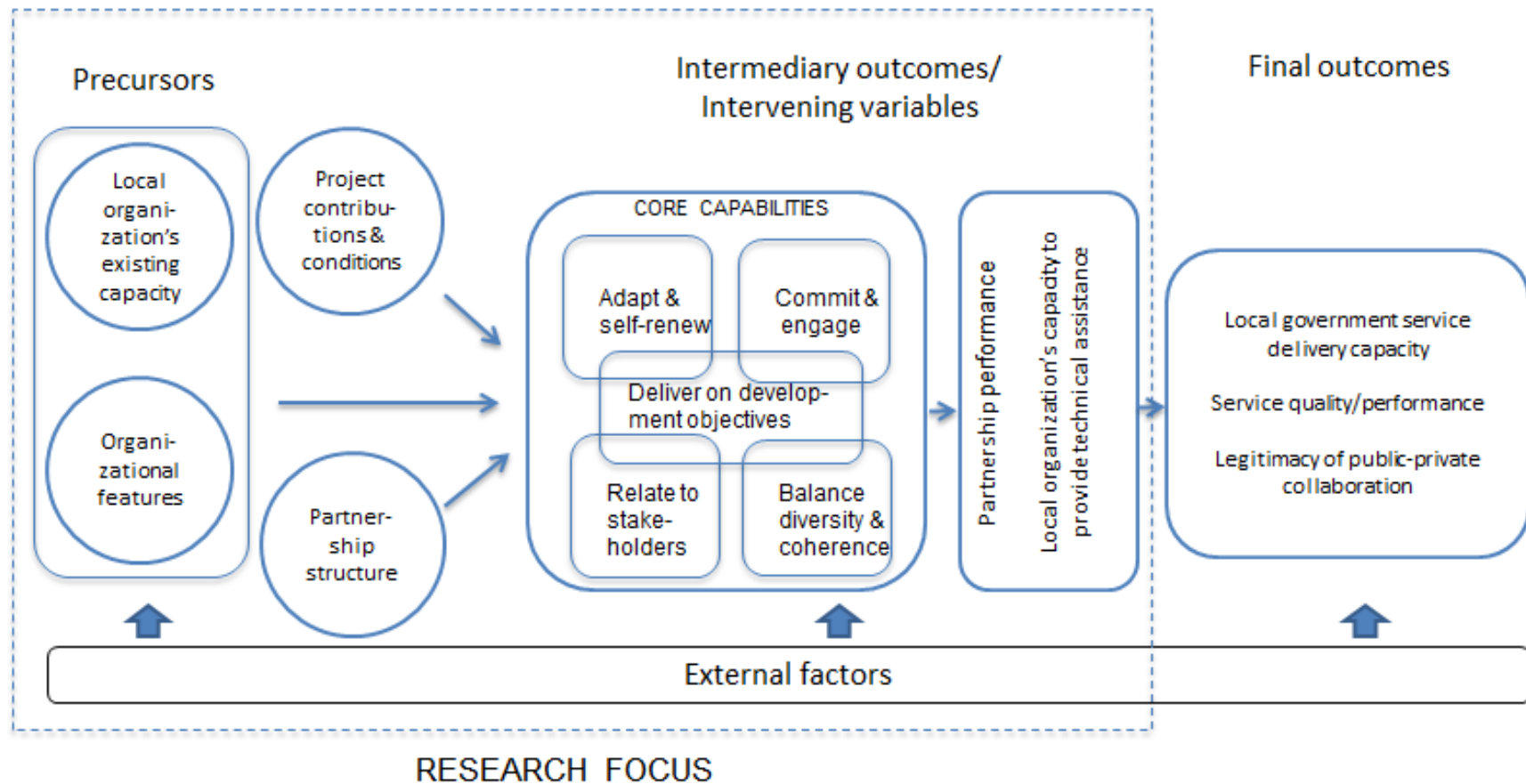
Our second question is, to what extent does channeling resources through local organizations build and enhance their capacity? Both scholars and donors are interrogating the assumption that putting local partners in implementing roles not only increases domestic ownership of development processes, but also simultaneously augments these actors' capacity (see, for example, Glennie, Ali, King, McKechnie, & Rabinowitz, 2012). Here we examine whether the local organizations that Kinerja selected as technical assistance providers to local governments experienced capacity gains as a function of their participation in the program.

To answer these two questions, we developed an analytic framework that identifies the range of factors associated with local organizations' capacity to perform effectively, in this case as technical assistance providers to municipal governments. Figure 1 summarizes the framework, with each element further elaborated below.

On the left-hand side of the figure, the precursors to performance encompass pre-existing organizational capacity and how the organization is set up (e.g., structures and processes). Along the bottom of the figure are external factors that constitute the operating context for the local organizations (Antlöv, Brinkerhoff, & Rapp, 2010). The external factors include, for example, local political constraints, distributions of power and authority, resource availability, and the legal and administrative framework. Their influence is felt prior to any capacity-development intervention, as well as during the period of performance, extending through to outcomes, as indicated by the horizontal bar.

The organizational precursor elements interact with the contributions that Kinerja makes (in the form of grants and technical support) and the conditions it imposes (selection of sectors, service delivery improvement interventions, and partners, schedules, and performance goals) to affect the current expression of the local organization's capacity (the core capabilities in Figure 1). The organization mobilizes these capabilities in partnership with municipal governments to deliver the technical assistance needed to put in place the service delivery enhancements in health, education, and/or business licensing that comprise the menu of reforms that Kinerja promotes. The final posited outcomes, on the right-hand side of the figure, include the local governments' increased capacity to deliver services; effective implementation of the service delivery enhancements to increase front-line service availability, quality, and access; and improvements in civil society-state relations that reinforce the legitimacy of public-private partnerships that involve Indonesian local organizations. These final outcomes are beyond the scope of this study.

Figure 1. Model of factors influencing effectiveness of technical assistance delivered through local organizations



The ECDPM model, which categorizes the “what” and “how” of capacity and capacity development, but treats these as analytically separate from external intervention, enabled us to unpack capacity (Baser & Morgan, 2008). The model conceptualizes capacity as endogenous and focuses attention on internal organizational endowments and processes and on their connections to their surrounding environments. The ECDPM model takes a systems perspective, recognizing that organizations are embedded within specific contexts that influence their capacity, in terms both of constraints and limitations and of opportunities and synergies. Organization-environment interactions occur over time and are dynamic, multi-faceted, and complex. Organizations constantly evolve and are reconstituted and changed by their own actions and through interactions with their environments.

Capacity is defined as a function of five capabilities that combine to enable an organization to achieve a desired collective purpose while sustaining itself over time (Brinkerhoff & Morgan, 2010). Notably, these capabilities encompass technical skills, administrative processes, and compliance requirements that are often the focus of donor capacity assessment frameworks.² Rather than proposing alternative measures, the ECDPM framework offers a different emphasis, considering these capabilities alongside others that contribute to an organization’s ability to sustain itself in a given environment. To date, the most consistent application of the five-capabilities framework has been by the Netherlands Ministry of Foreign Affairs, which has conducted over 30 assessments using it (de Lange, 2013; IOB, 2011a, 2011b), but others have also relied on the model (Simister & Smith, 2010). Our analytic framework builds on these prior experiences and their efforts to operationalize the ECDPM model.

The ECDPM study sought through an inductive and iterative analysis of country cases to identify and clarify the nature of capacity and its attributes and the kind of organization-environment linkages associated with successful performance. These were grouped into five core capabilities that appear to consistently contribute to capacity to perform across the cases (Baser & Morgan, 2008). The framework includes the capabilities to:

1. *Commit and engage*: Mobilize resources; create space for independent action; motivate partners; and plan, decide, and exercise the other capabilities. This capability enables the organization to shape its identity, define its mission, and harness the energies and commitment of its staff to work collectively in support of the organization’s values and goals. It includes administrative and legal aspects that sustain the organization, such as personnel, compliance, and accounting systems, as well as leadership and planning structures.
2. *Complete technical tasks/deliver on development objectives*: Produce acceptable levels of performance, generate substantive outputs and outcomes, sustain production over time, and add value for clients and beneficiaries. This capability encompasses the organizational elements that combine to meet a set of objectives and generate results in a sustainable way. It includes technical and logistical functions related to service delivery, such as identifying sources of funding, labor, and knowledge and marshalling these resources to produce specified outcomes.

² See, for example, the *Non-U.S. Organization Pre-Award Survey Guidelines and Support* (<http://www.usaid.gov/sites/default/files/documents/1868/303sam.pdf>) (visited Nov. 26, 2013).

3. *Relate to and attract support from stakeholders:* Establish and manage linkages, alliances, and/or partnerships with others to leverage resources and actions; build legitimacy in the eyes of key stakeholders; deal with competition, politics, and power differentials. This capability connects the organization to those actors whose support and resources are critical to enabling it to deliver on tasks and objectives and to sustaining itself over time. Relational abilities earn the organization credibility, legitimacy, and trust and help it to navigate politically sensitive and competitive situations.
4. *Adapt and self-renew:* Adapt and modify plans and operations based on monitoring of progress and outcomes; anticipate change and challenges; learn by doing; cope with changing contexts and develop resiliency. This capability concerns how the organization adjusts internally to cope with unfamiliar, turbulent, and rapidly changing situations. It connects strategic management to operations by enabling learning, fostering internal staff dialogue, restructuring and reforming if necessary, revising governance systems, and incorporating new ideas and practices.
5. *Balance coherence and diversity:* Develop shared strategies; balance control, flexibility, and consistency; integrate and harmonize plans and actions in complex, multi-actor settings; and cope with cycles of stability and change. This capability enables the organization to maintain a flexible equilibrium between fragmentation and integration in situations with multiple partners and stakeholders whose interests and actions diverge. It facilitates managing these tensions while keeping a focus on the organization's identity and mission.

Building on de Lange (2013), we employed a set of indicators for each of the capabilities to permit a finer-grained evaluation of the components of local organizational capacity and ability to perform. These indicators are presented in Annex A in the form of an assessment tool.

Capacity development, then, refers to processes of change that enhance and expand the five capabilities, enabling the organization to improve its performance. These change processes can be intentional and planned—for example, donor-funded training programs—or they can emerge from spontaneous and unstructured interaction; that is, unplanned and undirected collective engagements among organizational actors and between them and external stakeholders that over time generate capacity improvements. The endogenous perspective on capacity concentrates attention on what local organizations do on their own to develop capacity, rather than focusing solely on what outsiders do to promote capacity development.

THE KINERJA PROGRAM

The Kinerja public service improvement program is a USAID-funded governance program implemented in 24 districts in 5 provinces in Indonesia.³ It began on September 30, 2010 and operates through February 28, 2015. The program aims to improve local governments' delivery of services in three sectors—education, health, and the business-enabling environment (BEE)—by applying good governance practices at the district and community levels. Its programs are aligned with national

³ The information in this section was compiled from Kinerja project documents including the USAID Request for Proposal (RFP), Kinerja proposal, annual work plans, annual reports, and quarterly reports.

government priorities that are relevant to many local governments. The program design is focused around three main principles:

1. *Incentives* – To encourage the provision of better services;
2. *Innovation* – To build on existing innovative practices and support local government to test and adopt promising service delivery approaches; and
3. *Replication* – To expand successful innovations nationally and support Indonesian intermediary organizations as they deliver and disseminate improved services to local government.

With better incentives, greater innovation, and more avenues for replication, Indonesian local governments are expected to deliver services that are less expensive, of higher quality, and/or more responsive to local needs and preferences. Kinerja addresses the demand, as well as the supply, side of service delivery and strengthens accountability mechanisms, enabling local governments to better respond to citizens' needs. The program works through local organizations to encourage their formation of sustainable partnerships with local government. The project has four intermediary aims, as follows.

1. *Creating incentives for improved local government service delivery performance.* These incentives include the expectation of better performance outcomes that come with greater involvement of and accountability to citizens, rewards (or penalties) for good (or bad) performance, and prestige (or shame) that comes when information on local government performance is publicly available. Kinerja assistance contributes to stronger incentives by giving citizens a more effective voice in public service delivery, supporting performance management systems in local governments, and increasing competition through benchmarking, competitive awards programs, and public information. Examples of Kinerja-supported activities include complaints handling surveys (CHS) carried out at schools and clinics and support for citizen forums and media reports on service delivery matters.
2. *Encouraging the adoption of innovative service delivery.* Kinerja offers a targeted and well-designed menu of technical interventions in the three sectors of education, health, and BEE. It focuses on a few crucial elements of service delivery in these particular sectors that have proven effective in prior projects. The menu of possible interventions includes: school-based management (SBM), proportional teacher distribution (PTD), and unit cost calculations for education; maternal and child health (MCH) support for safe delivery and exclusive breastfeeding; and one-stop shops (OSS) for licensing reforms for BEE.
3. *Replicating improved management systems and disseminating them on a larger scale through intermediary organizations (IOs).* Kinerja's impact will expand nationally via Web-based dissemination and service provider capacity development, using linkages with local government associations, national and provincial training institutes, NGOs, and universities.

4. *Applying a rigorous impact evaluation scheme with randomized site selection, using control sites and in-depth studies.* The scheme measures impact and determines which interventions work, why, and how.⁴

Kinerja's mechanism for delivering technical assistance is through IOs, a departure from the predecessor program (Local Governance Support Program, LGSP), which delivered assistance primarily through individual consultants. The Kinerja program was not designed as a capacity-development program, but rather as a public service delivery program focused on achieving results. However, capacity-building elements were incorporated into the program to support IOs and, as explained in more detail below, have intensified over the life of the program. A rigorous monitoring and evaluation framework with specially designed public service delivery indicators was developed and closely monitored to measure results, including the use of randomized control trials (RCTs).⁵

The design decision to rely on IOs was based on the premise that sufficient endogenous capacity existed among local organizations to deliver technical assistance effectively. However, a number of studies have shown that Indonesian civil society is still developing (Antlöv & Wetterberg, 2011; Antlöv, Brinkerhoff, & Rapp, 2010; Schwehm, 2009) and remains constrained by environmental factors such as lack of funding outside of international donors, limited links to Indonesian society's grassroots, and weak incentives for the private sector to invest in civil society. As a result, Kinerja staff found a limited number of highly qualified local organizations at the district level during the first round of IO selection. Prior USAID-funded programs provided long lists of highly trained facilitators from predecessor programs, but very few names of district-level organizations trained in the delivery of public service technical assistance tools and models. Some of the first-round local organizations that Kinerja engaged consisted of loosely affiliated former USAID consultants trained in governance and public service delivery models. Others were based in provincial urban centers or local chapters of national organizations.

DATA AND METHODS

The study focused on seven IOs selected to receive first-round grants.⁶ The case study organizations are described in Annex B. In the table and throughout the report, IOs are referred to by the province in which they are headquartered, as well as the sector in which they provided technical assistance for Kinerja (for example, EJ-Health refers to an IO from East Java working with local governments on service delivery in the health sector). One IO from West Kalimantan that worked exclusively with the complaints handling survey is referred to as WK-CHS.

⁴ Note that this research design applies to evaluating the Kinerja program as a whole and is not relevant to the study described here.

⁵ Inclusion of RCTs was a USAID program requirement as Kinerja was one of several governance projects worldwide selected to participate in a comparative study on measuring impact in governance projects.

⁶ All organizations were first-round grantees, and the site visits focused on work completed during that period. The only exception is EJ-Education's work in West Kalimantan and East Java, which took place during the second round of grants and was still ongoing during site visits. EJ-Education worked in South Sulawesi during the first round, but the research team did not visit these sites. Also, note that BEE organizations are working on a three-year cycle. Their work was therefore still continuing during the site visits.

The seven IOs were chosen based on Kinerja national staff and evaluators' assessments to capture experience with more and less successful technical assistance (Social Impact, 2013). The selected organizations are working in two of the four provinces in which Kinerja is operating—East Java and West Kalimantan—and their activities cover all three reform sectors (education, health, BEE), as well as Kinerja's work on citizens' demand for improved service delivery (through CHSs). As Table 1 shows, case study organizations and specific activity sites were chosen to capture contrasts in implementation experience within each sector and across the two regions.

Table 1. Case study IO and field site selection

Region	Technical assistance provided			
	Health	Education	Business Environment	Complaints Handling Survey
East Java	EJ-Health	<i>EJ-Ed/CHS</i> <i>EJ-Education</i>	<i>EJ-BEE</i>	<i>EJ-Ed/CHS</i>
West Kalimantan	<i>WK-Health</i>	EJ-Ed/CHS EJ-Education	WK-BEE	WK-CHS

Note: Activities in bold, red text were chosen because implementation had been challenging, according to Kinerja staff and evaluation data. Activities in green, italicized text were chosen because implementation had gone relatively smoothly.

For readers unfamiliar with the regional contexts, it is worth underscoring that the two provinces embody significant distinctions. East Java is highly populated and has a relatively high density of local organizations working in Kinerja's target sectors. In addition, while program sites are spread across the province, distances and physical infrastructure are such that all can be reached in less than one day's travel from the Kinerja provincial office in Malang. In contrast, West Kalimantan's population is concentrated along the coast, and a number of local organizations are headquartered in the provincial capital, Pontianak. However, several Kinerja districts are located far from the capital, in relatively remote areas where few NGOs or universities have established a presence. These districts have poor physical and communications infrastructure; some require several days' travel to reach from Pontianak.

It is also important to note the general character of state-society relations in which the Kinerja model of providing technical assistance by channeling resources through local organizations is implemented. In spite of democratization and decentralization reforms, there remains "a strong sense of entitlement among government officials in Indonesia, who view it as their right to define public policy as they see fit" (Antlöv, Brinkerhoff & Rapp, 2010, p. 420). Although reformists can be found at every level of government, the reality remains that many local officials are, at best, inexperienced and, at worst, resistant when faced with the prospects of local organizations providing them with technical expertise. Across all provinces, IOs thus faced the common challenge of encouraging and convincing bureaucrats to collaborate with them.

To gather data for the case studies, we conducted semi-structured interviews with IOs, government counterparts, representatives from citizen forums, and Kinerja staff during May 2013. The research team collected data on IOs' experiences during Kinerja's first round of grant implementation; these data therefore do not reflect adjustments in the design of second-round grants intended to allow IOs

more time and to streamline implementation arrangements.⁷ Topics covered in interviews included organizational characteristics, existing skills, strategies for seeking/providing technical assistance, the dynamics of the partnership interaction, and assessments of performance, as well as questions to capture IO capabilities. In addition to information from interviews, we also relied on program documents from Kinerja and IOs to provide background information on the organizations' experience and to understand Kinerja's capacity and selection criteria. While this data collection strategy allowed us to study a relatively large number of organizations and partnerships, it meant we developed only preliminary understandings of IOs' histories and working relations with government partners and citizens. Follow-on research will be required to gain deeper insights into specific dimensions of the general findings presented in this report.

Finally, a note on the performance assessments used in Tables 2 and 3 below is in order. The ratings are based on the experiences with each partnership at a specific site, as recounted by respondents from IOs, local governments, citizen forums, and Kinerja. Interview respondents were asked about their overall assessment of the technical assistance provided, any benefits and drawbacks they saw from Kinerja's work, their opinion of the model used (to deliver technical assistance through IOs), and any recommendations for improvements. If the respondents' assessments relevant to IO performance were consistently positive, performance was rated "high." If isolated problems were noted alongside some positive assessments, performance was rated "medium." Finally, generally negative performance assessments were rated "low."

FINDINGS

In the discussion below we examine the relationships among the factors identified in our analytic framework (Figure 1) that link precursors, intervening variables, and intermediary outcomes. The focus is on the answers to the two research questions presented above: identifying which factors most strongly affect local organizations' performance, and to what extent channeling resources through local organizations builds and enhances their capacity.

What factors matter for performance?

Prior relevant capacity and experience

Across the case study organizations, one of the main factors associated with variations in performance is the **degree of alignment between the tasks in the Kinerja grant agreements and IOs' past experience**. This finding points to the importance of the precursor existing capacity and experience related to the tasks the local organizations are charged with carrying out. Prior capacity involved not simply technical/sectoral expertise, but also previous experience with institutional, social, and geographic contexts. Contextual knowledge and experience appeared to be as important as, or even in some cases outweighed, technical qualification in terms of impact on performance. Given that implementing service

⁷ As noted, EJ-Education was working on second-round implementation of PTD in W. Kalimantan. These activities were relatively unaffected by Kinerja's adjustments because the PTD intervention was not substantially changed, and EJ-Education followed the same steps as during successful implementation in S. Sulawesi during the first-round grants.

delivery reforms blend technical with social and institutional skills and understanding, this finding is not surprising.

Table 2 presents summary data on prior capacity and experience ratings for the local organizations studied. All Kinerja IOs had to pass minimum technical requirements to be invited to submit a proposal, and all IOs in the study sample produced proposals that were highly ranked technically, as the table shows. All IOs also had relevant sectoral experience, although most had not previously worked on the interventions specified by Kinerja. Kinerja's objectives also required working closely with local governments, which not all IOs had collaborated with previously (i.e., lack of institutional experience). Some IOs were also taking on tasks at sites where they were unfamiliar with constraints related to the specific physical location—such as distances, cost of travel and living, lack of infrastructure (geographical context)—as well as with local norms and expectations (social context).

The effects of these factors on performance tended to be cumulative: organizations that faced multiple types of unfamiliarity performed less well than those that were dealing with only one new dimension. At the high-performing end of the spectrum, WK-Health had not previously worked on the exact maternal and child health interventions specified in Kinerja, although the organization had been active in the health field in West Kalimantan for decades. The local WK-Health chapters that implemented the Kinerja interventions had previously collaborated with the district health agencies on an earlier donor program, and thus had relevant institutional, social, and geographical experience. WK-Health was therefore dealing with relatively few new elements and was able to perform well by drawing on existing strengths while adapting to the new technical demands of the Kinerja interventions.

Table 2. Implementing organizations' prior capacity and experience, by performance

	WK-Health		EJ-BEE	EJ-Education		EJ-Ed/CHS		WK-BEE		WK-CHS		EJ-Health
Prior ability & experience												
Technical rating	Highest ranked technical proposal		Highest ranked technical proposal	Highest ranked technical proposal		Highest ranked technical proposal		Only organization in province with technical competence		Second ranked technical proposal (grantee)		Third ranked technical proposal
Relevant sectoral experience	Prior work in health, not on MCH or with primary healthcare centers		Work on small & medium enterprise licensing since 2001	Work on PTD & SBM since 2010		Work on community access to education; no prior work with schools, CHS		Prior small & medium enterprise work, not on licensing		Prior work on health & education for forest residents; no prior work on CHS		Prior work in health, not on MCH or with primary healthcare centers
Collaboration with local gov't agencies (institutional context)	Yes, in Kinerja districts		Yes, but not in Kinerja districts	Yes, but not in Kinerja districts		Yes, but not in Kinerja districts		No		Yes, but not in Kinerja districts		No
Locations (geographical & social context)	Various districts in W. Kalimantan (incl. Sinkawang & Sambas)		Various districts E. Java (not incl. Probolinggo)	Various districts E. Java, Aceh, E. Kalimantan, NTT, S. Sulawesi		Various districts in E. Java		Various districts in W. Kalimantan (not incl. Melawi)		Various districts in W. Kalimantan (not incl. Sinkawang & Sambas)		Various districts in E. Java
Kinerja tasks												
Tech. Assistance	Health (MCH)		BEE (OSS)	Education (PTD)		Education (SBM, incl. CHS)		BEE (OSS)		CHS-education	CHS-health	Health (MCH)
Location	W. Kalimantan (Sambas)	W. Kalimantan (Sinkawang)	E. Java (Kota Probolinggo)	E. Java (Kota Probolinggo)	W. Kalimantan (Bengkayang)	E. Java (Kota Probolinggo)	W. Kalimantan (Bengkayang)	W. Kalimantan (prov. office)	W. Kalimantan (Melawi)	W. Kalimantan (Sinkawang)	W. Kalimantan (Sambas)	E. Java (Bondowoso)
Performance assessed by												
IO	High	-	High	High	Medium	High	Medium	Medium	Low	Low	Low	Medium
Local government	High	High	High	High	Medium	High	Medium	Medium	-	Medium	Medium/Low	Medium
MSF	High	High	-	-	-	-	-	-	-	High	Low	Low
Kinerja	High	High	High	High	Medium/Low	High	Low	Medium	Low	High	Low	Low

Lower performance resulted when IOs moved outside their familiar contexts. Both EJ-Ed/CHS and EJ-Education performed well in East Java, where they had previously worked with local governments (geographic and institutional experience; some familiarity with social contexts). EJ-Education possessed expert knowledge of the technical interventions, which contributed to its high performance. EJ-Ed/CHS did not have similar expertise (although the organization had done prior work in the education sector), but was able to provide high-quality technical support given familiarities with the geographical, social, and institutional environments.

For both IOs, performance suffered in West Kalimantan, however, as these organizations were challenged by the unfamiliar geographic and social contexts. During interviews, representatives from each IO reported being surprised by conditions in West Kalimantan. Both organizations found they had not budgeted sufficiently for travel costs in the districts they were targeting. EJ-Ed/CHS staff was not ready for the lack of preparation among government partners for school-based management in West Kalimantan. Strategic plans, educators' skills, and needed information that they had taken for granted on Java were not available in West Kalimantan, which points to the role of the intervening variable, partnership performance, on ultimate performance outcomes (Figure 1). EJ-Education staff complained about what they perceived as the inward focus of local officials in West Kalimantan, who were not open to work with outsiders. For their part, district officials explained that they expected a level of close collaboration and technical input that EJ-Education was unable to provide during infrequent visits to Sambas. Despite past experience working with local governments (both IOs) and technical expertise (EJ-Education), the IOs were unable to adapt sufficiently to the multiple unfamiliar aspects of the West Kalimantan sites. As a result, performance suffered.

For some of the lowest performers, institutional, social, and technical aspects were new. For instance, WK-BEE had worked in the small and medium enterprise field previously, but not specifically on licensing issues. The organization was tasked with working with the new provincial-level licensing agency and with district government in Kabupaten Melawi, neither of which was familiar to the IO.⁸ While WK-BEE understood the geographic constraints of West Kalimantan, given the organization's work throughout the province, all other aspects of the task at hand were new. As the IO struggled to cope with all these new elements, its performance lagged.

Kinerja aims to provide technical assistance through local partners, which is a new role for many of the IOs. Even those who have collaborated with local governments before have most often acted as implementers of programs, rather than as technical experts. That many of the organizations were able to combine this new role with unfamiliar technical tasks to produce satisfactory performance speaks to their *capability to adapt and self-renew*. When a new role and technical requirements were combined with unfamiliar institutional, geographic, and/or social contexts, however, IOs' coping abilities were often overwhelmed, with negative consequences for performance.

⁸ A kabupaten is a political-administrative subdivision of a province. In this paper we use the term district interchangeably with kabupaten.

IO management model

Another influential factor affecting performance is the **structures and staff in place to implement Kinerja tasks**. This factor concerns the precursor, local organizational features (see Figure 1); here we focus on supervisory structures and staffing, which we characterize as the local organization's management model and which also relates to partnership structure. Specifically, performance was consistently rated lower at sites where the IO provided little direct supervision of implementing actors (whether temporary staff, staff of local partner NGOs, or local chapters of the grant recipient) than at sites with more supervision by the IO. Table 3 compares management models across the case study organizations and shows more instances of infrequent supervision (particularly of temporary staff) as performance falls.

The effect of the management model is seen clearly for IOs that varied implementation arrangements by site. For instance, EJ-Education performed well in Bondowoso, where the organization used facilitators from its established expert network to work with the local government on proportional teacher distribution.⁹ These facilitators were already accustomed to communicating with EJ-Education staff and were familiar with the intervention. Because Bondowoso is relatively close to EJ-Education's headquarters, facilitators could be supervised and supported on a regular basis by IO staff. At this site, performance was consistently rated high. For implementation of the same technical assistance in Sambas, however, EJ-Education hired temporary staff from local universities, who were knowledgeable about education issues but did not have past experience working specifically on proportional teacher distribution or with EJ-Education. EJ-Education staff members did supervise the local hires, but these visits were infrequent. The staff hired in Sambas arguably warranted higher levels of supervision, given their lack of technical expertise and familiarity with the IO, but the management model was relatively hands-off. This outcome was due to a combination of cost and time constraints (given distances from East Java to Sambas) and an over-estimation of local hires' abilities by the IO. Rather than adjust the management model to increase supervision frequency, however, the IO replaced the local technical staff several times. In spite of these staffing changes, local government partners, as well as Kinerja and the IO, were dissatisfied with the lack of progress and technical expertise available between supervision visits.

⁹ EJ-Education is reported to have performed similarly well in South Sulawesi during the first round of Kinerja grants, where the IO was also using existing network partners to implement. The research team did not visit this site.

Table 3. Intermediary organizations' management models and relations with local government, by level of performance

	WK-Health		EJ-BEE	EJ-Education		EJ-Ed/CHS		WK-BEE		WK-CHS		EJ-Health
Kinerja task(s)												
Sector	Health (MCH)		Business env. (OSS)	Education (PTD)		Education (SBM, incl. CHS)		Business env. (OSS)		CHS-education	CHS-health	Health (MCH)
Location	W. Kalimantan (Sambas)	W. Kalimantan (Sinkawang)	E. Java (Kota Probolinggo)	E. Java (Kota Probolinggo)	W. Kalimantan (Bengkayang)	E. Java (Kota Probolinggo)	W. Kalimantan (Bengkayang)	W. Kalimantan (prov. office)	W. Kalimantan (Melawi)	W. Kalimantan (Sinkawang)	W. Kalimantan (Sambas)	E. Java (Bondowoso)
Partnership												
Management model	Local chapter with program support from prov. office	Local chapter with program support from prov. office	Temporary staff supervised by permanent staff	Facilitators from existing expert network	Temporary staff with infrequent supervision	Temporary staff supervised by permanent staff	Temporary staff with infrequent supervision	Permanent staff	Temporary staff with infrequent supervision	Staff from local partner NGO, trained by national NGO	Staff from local partner NGO, trained by national NGO	Local chapters with infrequent supervision from prov. office
Local government relations	Cooperative health agency, resistant clinics	Resistant health agency, cooperative clinics	Cooperative district gov't but very high turnover in staff & officials	Cooperative district gov't	Resistant planning agency	Receptive district agency, some receptive schools	District agency not interested in intervention	New office, fairly receptive officials	Bupati low interest; receptive agencies & businesses	Resistant district agencies, receptive clinics	Cooperative district agency, resistant clinics	Receptive district agency & bupati
Performance assessed by												
IO	High	-	High	High	Medium	High	Medium	Medium	Low	Low	Low	Medium
Local government	High	High	High	High	Medium	High	Medium	Medium	-	Medium	Medium/Low	Medium
MSF	High	High	-	-	-	-	-	-	-	High	Low	Low
Kinerja	High	High	High	High	Medium/Low	High	Low	Medium	Low	High	Low	Low

The same pattern was observed for EJ-Ed/CHS, whose performance on school-based management was rated high by all partners in Kota Probolinggo, but was not able to achieve the same results in Bengkayang. Notably, this IO used temporary hires at both locations, but EJ-Ed/CHS staff members were able to supervise, collaborate with, and support their local hires in Kota Probolinggo relatively closely, while those in Bengkayang very rarely interacted with EJ-Ed/CHS staff. The lack of support in Bengkayang was largely due to EJ-Ed/CHS's underestimate of travel costs and of the intensity of technical assistance that would be required, given the low levels of resources available to education officials in that district. Schools and some offices lacked computers and, occasionally, electricity, which slowed progress on many of the tasks specified in the school-based management technical intervention. EJ-Ed/CHS was surprised to find this state of affairs, given that the bulk of their work had been done in Java where many schools are relatively better equipped, and had not planned for the level of financial and staff resources required to support the temporary staff implementing the technical assistance.

The EJ-Ed/CHS experiences underscore that effects on performance are likely tied a suitable level of supervision, tailoring it to specific local circumstances and staffing arrangements, rather than simply the long- or short-term nature of the staff implementing. EJ-BEE, which was rated a high performer by all partners, hired temporary staff but dedicated a permanent staff member to provide regular (often weekly) supervision. At the other end of the spectrum, EJ-Health implemented through its long-standing local chapter in Bondowoso, but was one of the worst-performing IOs. A large part of the explanation for this outcome was that the provincial office provided almost no direct supervision of implementation, relying only on reports sent from the local chapter to monitor the program, despite complaints from Kinerja and from other partners. Only half-way through implementation did the IO respond effectively, moving a staff member from the provincial office to Bondowoso to supervise the local chapter. This effort improved implementation and reporting but, due to earlier problems, the IO was not able to complete all expected activities.

Uniformly low levels of supervision, due to a highly delegated management model, also help to explain WK-CHS's uneven performance. In this case, the lead grantee provided good technical training (according to both EJ-Ed/CHS and WK-CHS), but there was little supervision thereafter, as the model was to let organizations in each kabupaten carry out the CHS, regardless of variations in these groups' experience and staff qualifications or in local circumstances. Where staff members from district organizations were able to use the acquired skills in the local context, the results were relatively better (Sinkawang) than when the local organization was not well-equipped to carry out the required tasks (Sambas). The consistently low level of supervision inherent in the management model, in which no effective adjustments were made for the challenges of the task at hand or the specific qualifications of actors designated to carry it out, implementation arrangements meant that there was little tying the lead grantee to the quality of technical assistance on the ground.

Ensuring an effective management model relates to IOs' *capability to balance diversity and coherence*. High-performing IOs ensured that implementers were aware of and working towards the goals set out by Kinerja's technical packages, maintaining some control over implementation. They also adjusted the management model as needed, for example, to provide more supervision of temporary staff than for regular staff or network members with more relevant experience. Organizations that set up models that did not fit with local circumstances and staffing patterns were unable to transfer needed

information, skills, and resources to their implementing agents, resulting in gaps between actual performance and that expected based on Kinerja's pre-award assessments of IO capacity.

Government partners' interest in Kinerja's service delivery improvements

A third factor, a component of the partnership intervening variable in Figure 1, that consistently affected performance outcomes was the **degree to which public partners were interested in the technical assistance offered**. Even though the choice of technical package had, in line with Kinerja's design, been selected by district officials, not all public actors agreed that the most appropriate choice had been made.¹⁰ Table 3 summarizes this factor in the row on local government relations, under partnership. For instance, EJ-Ed/CHS's counterpart from the education agency in Bengkayang would have preferred to work on teacher distribution, rather than on school-based management. By comparison, the same IO's counterparts in Kota Probolinggo explained that they felt school-based management held more potential than other options for improving the quality of schools in their district. In addition, they thought they should already have moved to school-based management, but did not know what to do; they were relieved and eager to address this perceived gap with EJ-Ed/CHS's assistance. In these two districts, as well as across most of the activity sites visited, performance was higher where government partners were committed to the specified technical intervention.

The extent to which IOs were able to capitalize on such commitments or work to overcome barriers to working with public partners is a reflection of their *capability to relate to external stakeholders*. Examples include WK-Health's work with primary healthcare centers (puskesmas) in Sambas, as well as EJ-BEE's technical assistance in Kabupaten Probolinggo. In the former case, the local chapter of WK-Health had good relations with the district health office (Dinas Kesehatan), having worked with them on a prior program, and with the head of the district planning agency's (Bappeda) health section, who had been impressed with the IO's willingness to work hard and collaborate to resolve any issues that emerged in the course of the technical assistance. When some of the puskesmas heads resisted reform, the local organization was able to work with district officials to formally shift responsibilities to puskesmas administrators who were more receptive to changes.

EJ-BEE's work in Kabupaten Probolinggo was challenged by frequent changes in government counterparts in the lead-up to local elections. For example, the IO's Bappeda counterpart changed four times, while the head of the licensing agency changed five times during a single year. EJ-BEE was able to address this instability with the help of Kinerja's district-level field staff (Local Public Service Specialist, LPSS), by focusing on the approved work plan, rather than the individuals in office. Each time the individual changed, EJ-BEE and the LPSS would explain the work plan, approved by his or her predecessor, to the new official, ensuring that necessary tasks could continue in spite of personnel changes. Both of these organizations demonstrated strong capabilities to use their ties to external stakeholders to achieve their objectives.

¹⁰ Kinerja district officials submitted letters of commitment for participation in the project, and through a series of district consultations the appropriate technical packages from Kinerja's limited open menu were chosen. District officials within the same department may have had varying viewpoints on which packages to prioritize given time and budget constraints and due to rotation of government staff. Local governments were free to change the package of assistance (and some districts did later on).

Does channeling resources through local organizations enhance their capacity?

Our research was not designed to formally evaluate changes in capacity pre- and post-Kinerja grants; thus, we are unable to systematically identify how capabilities may have shifted for different IOs. However, drawing on our interviewees' assessments of benefits and drawbacks, we present some general findings about capabilities that appear to have increased as a result of implementing Kinerja grants and partnering with district governments to introduce service delivery improvements. The discussion examines several of the core capabilities in the ECDPM model illustrated in Figure 1 and described above.

Capability to complete technical tasks

Working with Kinerja helped **most IOs increase their *capability to complete technical tasks and deliver on development objectives***. In particular, local organizations gained technical skills with the service delivery improvement tools, and they built expertise in meeting donor requirements for reporting. Almost all interviewees noted new technical and financial management skills as benefits from working with Kinerja. For instance, EJ-Ed/CHS reported new skills to implement CHSs and school-based management. Staff from this IO have revised the school-based management modules based on their implementation experiences and are negotiating with four districts in East Java to provide such technical assistance. EJ-Education hired new staff to meet Kinerja reporting requirements; as a result Kinerja reduced the organization's risk rating from high (for the first-year grant) to moderate (for the second-year grant).

There may have been a missed opportunity to further strengthen technical capability due to one-year cycles for implementation of the health and education reforms. Because of time pressures to meet performance targets, several IOs reported forcing activities to happen, carrying them out as formalities rather than tailoring timing to maximize benefits for local actors. Giving IOs responsibilities and opportunities to customize implementation processes based on local priorities could have further strengthened technical capabilities, buttressing their capacities as self-sustaining entities. Longer implementation periods could have provided IOs more time to practice new skills and learn how to further adapt them to local needs.¹¹

Capability to relate to external stakeholders

Working with Kinerja also clearly **enhanced IOs' *capability to relate to external stakeholders***. Respondents reported closer and more open relations with local officials, which positively affected their ability to partner effectively. WK-BEE respondents said that, through their Kinerja work, they had intensive formal and informal discussions with bureaucrats, whom they had previously only interacted with at workshops. At a high-performing site, EJ-Ed/CHS respondents reported that they previously had only passing familiarity with the local government, and Kinerja had helped them establish a firm relationship. Similar experiences were reported by the lead CHS grantee and EJ-Education. EJ-Health increased capacity by learning how to network with district health offices and local NGOs. Notably,

¹¹ Since our field research, additional Kinerja funds have been allocated for consolidation of existing reforms and replication *within* districts, which allows for a longer implementation period. This change in the design should further contribute to grantee capacity.

gaining these new connections was not always easy. WK-Health reported facing many questions from local governments about why they needed to work with NGOs before officials accepted the Kinerja technical assistance model of working through local organizations.

It remains to be seen whether these new connections will translate into post-Kinerja financial support for IOs through continued work with public partners. When asked about further collaborations, interviewed government representatives had reservations, even when they saw concrete benefits from IOs' work. The head of the education office in Kota Probolinggo said he might call on IOs for training sessions, but would hopefully not need ongoing technical assistance from them in the future. Several respondents were open to continued work with IOs, as long as these activities were funded by donors. Others said they would be open to similar donor programs, but they preferred arrangements where donors would fund state agencies directly and where IOs would report activities and funding levels to these offices. From our interviews, it was uncertain whether the main concern was lack of sufficient funds, procurement constraints, or a preference for not working with local organizations. It was clear, however, that government partners would rarely initiate Kinerja-style technical assistance from local organizations on their own initiative.

Officials' reluctance could also be interpreted as a positive sign of stronger government capacity. Given the clear boundaries of Kinerja's interventions, high-performing IO-government collaborations may have fully transferred needed information and skills, precluding need for further technical support. Perhaps especially in such successful cases, however, it is puzzling that officials would not be more open to turning to these evidently helpful IOs for future support.¹²

Some IOs also reported **improved relationships with citizens and other local organizations**, in addition to stronger ties to local governments. One IO expressed concern, however, about the inability to maintain relationships with local citizens after the Kinerja interventions. After program support ended, the local organization no longer had the means to continue work with citizens, whose expectations had been raised during a year of interactions. In the longer term, this organization worried that the lack of follow-up might undermine the public's trust in and the general legitimacy of local organizations and civil society.¹³

Capability to commit and engage

There were also **some improvements in IOs' capability to commit and engage**. Although this was a less frequently expressed benefit, we were able to conclude from indirect statements made by a number of interviewees that such gains had indeed been achieved. EJ-Education described gaining improved management skills, which staff were currently applying to other programs. Staff from the Sambas chapter of WK-Health said they decided to apply the same good governance principles to their

¹² Note that, outside of our field sites, there are accounts of some local governments directly contacting IOs to provide technical assistance. For example, two district governments in South Sulawesi have contracted EJ-Education to provide expertise, after observing positive results from Kinerja-funded interventions in other districts. According to Kinerja staff, the districts are very progressive and need technical input, rather than ongoing mentoring. The reluctance to independently hire IOs at our research sites may thus reflect the needs and predispositions of the specific local governments visited.

¹³ In the FY14 work plan Kinerja is providing technical assistance to citizen forums for an additional 12 months to work on consolidation and sustainability issues, which might alleviate this concern.

own organization as were required for Kinerja. Finally, EJ-BEE respondents said Kinerja's design allowed them to make decisions about the details of specified program activities (such as number of meetings held), which increased their independence.

Capabilities to adapt and self-renew, and to balance diversity and coherence

Capabilities to adapt and self-renew, as well as *to balance diversity and coherence* were not frequently reported as areas of improvement attributable to Kinerja involvement. One reported instance of independent adaptations of program activities was WK-BEE's initiative to expand on program activities by extending their collaboration with the provincial licensing office to also include the internal training department (Badan Pendidikan dan Latihan/DikLat). Rather than provide trainings only to licensing officials, WK-BEE worked with Badan DikLat to prepare training-of-trainers modules that could be shared with other audiences. This was the IO's idea and not part of the initial work plan. Notably, BEE IOs work on a three-year timeframe, which may allow room for experimentation, whereas the one-year cycles for health and education grants may limit such reflection and innovation. In addition, BEE IOs had established relationships through previous grants from The Asia Foundation (which led the BEE implementation), and some had previous experience implementing BEE technical assistance packages. These longer-term relationships and prior experiences may also have contributed to their confidence to experiment.

Working in new social and institutional contexts likely challenged IOs, but did not necessarily enhance their capability to balance diversity and coherence. Some respondents expressed embarrassment over their inability to perform in unfamiliar circumstances (WK-CHS, EJ-Ed/CHS), but did not point to efforts to learn from these experiences. EJ-Ed/CHS representatives stated that they had turned down an opportunity to do further work in West Kalimantan because of concerns that poor performance would damage their reputation.

WK-Health's second year implementation may provide further insights on building these capabilities. During Year 2, the Sambas chapter of WK-Health will go beyond the familiar institutional and social context of its home district to implement maternal and child health tasks in Kabupaten Melawi, where the organization has not worked previously. After gaining expertise and experience during its strong work during Year 1, the organization may be able to successfully adapt to the new context and supervise new staff in a remote district. There is a risk, however, that the combination of a somewhat unfamiliar setting and a new management model will tax its capability to commit and engage, especially given that the organization is simultaneously continuing replication work in Kabupaten Sambas.

FROM CAPACITY ASSESSMENT TO CAPACITY DEVELOPMENT

As noted above, Kinerja aimed to bring about improvements in front-line public service delivery by providing technical assistance through local organizations, but was not designed to actively build these partners' capacity. The program's initial focus on capacity, then, was to make use of the pre-existing local capacity from within Indonesia's growing pool of civil society and private sector organizations. Capacity development for local organizations would occur indirectly, as a result of carrying out the technical assistance associated with Kinerja grants. In essence, this was a passive approach to building IO capacity.

The immediate task was to identify and select qualified potential applicants. Kinerja identified suitable local organizations through its consortium partners (six international and national NGOs), which have implemented projects in multiple sectors and various local contexts throughout Indonesia. These networks were cross-checked by Kinerja staff at the national, provincial, and district levels, and requests for proposals were disseminated through the networks. In some particularly remote areas where Kinerja partner networks did not penetrate, advertisements were placed in local newspapers to encourage applications.

From the applications received, the selection committee identified those local organizations with the best combination of skills and experience to implement technical assistance packages in target areas. Kinerja conducted pre-assessments of local organizations that had submitted proposals for grant funding. The pre-assessments relied on information from the applications, where organizational competencies were self-reported, as well as on some background checks for key personnel listed and site visits to evaluate management arrangements.

In terms of the core capabilities, these pre-assessments captured some of the five capabilities, but, as Table 4 demonstrates, focused heavily on the capabilities to commit and engage and to complete technical tasks. The checkmarks denote the number of times a pre-assessment touched on an indicator relevant to each capability (see Annex C, which presents a mapping of the program's assessment tools onto the indicators for the five core capabilities presented in Annex A). There was much less emphasis on relating to stakeholders, adapting and self-renewing, or balancing diversity and coherence.

Table 4. Capabilities covered in Kinerja pre-assessments

Core capabilities	Emphasis in pre-assessments
Commit & engage	✓ ✓ ✓ ✓ ✓ ✓ ✓
Complete technical tasks & deliver on development objectives	✓ ✓ ✓ ✓
Relate to (external) stakeholders	✓ ✓
Adapt & self-renew	✓
Balance diversity & coherence	✓

This finding is not surprising in that the capabilities to commit and engage and to complete technical tasks are central to donor requirements and compliance concerns regarding the award of grants to local organizations, and thus are core elements of Kinerja's legal mandate to comply with USAID rules for funds management. It is noteworthy that all of the Kinerja IOs included in our study met or exceeded minimum expectations based on the program's pre-assessment and selection tools. However, the interview data we collected on IO performance showed significant variation and did not align well with the risk assessments based on Kinerja's tools (see Annex A). This variation suggests that: a) effective fulfillment of the IOs' role as partners with district governments to improve service delivery calls for all five of the capabilities, and b) the current set of pre-assessment tools overlooks some of the capabilities required for the IOs to be effective.

For example, Kinerja staff found that in some districts, no qualified local organizations were present to serve as partners. In these cases, staff encouraged the IOs already working with Kinerja to take on new technical tasks in unfamiliar geographic areas, which meant in addition that IOs were often working with new partners. Responding effectively to these challenges called for strong capabilities to relate to external stakeholders and to adapt and renew, yet these were not systematically considered in awarding grants.

In the course of the implementation of the first-round grants, though, Kinerja staff realized that some IOs were struggling to fulfill their specified tasks. The program made changes for the subsequent year of technical assistance with the aim of easing some implementation burdens.¹⁴ Further, Kinerja took steps to shift away from the passive approach to capacity development, where capacity was assumed to be enhanced indirectly as a function of IO grant implementation, to direct and active intervention to provide more capacity building for IOs. Kinerja provincial and district coordinators increasingly provided technical support to the IOs, above and beyond their IO oversight role. Kinerja also set up a capacity-development task force, which in the coming year will develop and carry out a structured program of training and support for IOs. The next section offers some recommendations in support of a more active capacity-development approach.

RECOMMENDATIONS FOR TARGETING LOCAL CAPACITY DEVELOPMENT

The recommendations outlined below relate to three general areas: the selection of local organizations, the tasks they are expected to complete, and design parameters related to integrating capacity-development within broader development project objectives. Based on our findings, the underlying premise is that interventions aimed at increasing local organizations' capacities will be more effective to the extent that they address not simply the capabilities most closely associated with implementing donor-driven programs, but include attention to the full range of capabilities associated with autonomous and sustainable functioning. Our recommendations are intended for consideration by Kinerja; however, they have wider applicability and hold relevance for other projects that rely on local organizations for implementation within the context of the OECD principles for donor-country partnership.

Expand assessment tools

No pre-assessment tool can accurately identify all relevant aspects of capacity and adequately predict performance. Currently, as noted, Kinerja's assessment tools concentrate on two of the five core capabilities, though they do address a few of the indicators related to the other three. Annex A presents a draft of a supplementary assessment tool that could complement the current set of tools that Kinerja is using. This tool, in conjunction with expanded reference checks, could provide a fuller picture of potential IO capacity. The instruments used to evaluate local organizations must cover not only technical expertise

¹⁴ For example, streamlining implementation by tasking the same IO with technical interventions and the CHS. While this change added to the responsibility of a single IO, it avoided the need for coordination with another partner and confusion over responsibilities. Recall that the interviews primarily focused on first-round grants, prior to these changes in Kinerja's approach.

and administrative abilities but also extend to the full range of core capabilities. This is important for the selection of IOs, especially when core capabilities (such as the ability to adapt to unfamiliar social contexts, manage staff in new regions, and relate to new stakeholders) are integral to the technical goals of the program. Further, for capacity-development purposes, broader assessment tools can help Kinerja staff anticipate the challenges IOs will face during implementation, tailoring tasks and providing support accordingly.

We offer this tool not simply as a supplement to pre-award analysis of local organizations, but recommend that it be used as a self-assessment instrument to assist IOs to reflect upon capability and performance gaps during grant implementation and devise responses to those gaps. Unless local organizations internalize learning and adaptation as an integral element of their management, they will remain dependent upon external actors to tell them how they are performing and what they need to do to improve. Capacity assessment must be an ongoing element of Kinerja's collaboration with local organizations beyond the pre-award phase.

Clarify target organizations for capacity development

For approaches that seek to strengthen country systems and domestic actors, such as USAID Forward, an important consideration is the definition of what constitutes a local organization. It is often assumed by practitioners, donors, and governments that provincial or national "local" organizations are more capable and sustainable because they have more resources and experience, broader funding options, and larger networks. District-level local organizations are perceived to be less capable and sustainable and run the risk of becoming simply "briefcase NGOs." However, our research suggests this assumption is overstated and insufficient for purposes of identifying local organizations with promising constellations of capabilities for specific program designs. Our findings imply that all legally registered, Indonesian-led organizations are not equally qualified to work in partnership with decentralized governments. For Kinerja, the extent to which IOs understand the district-level context, have connections to district-level actors, and are able to supervise staff interacting with decentralized agencies are important contributors to successful implementation and to productive collaboration with local officials. To strengthen, rather than overwhelm, the capacities of local organizations thus requires consideration of their familiarities with the implementation context, their embeddedness in specific social environments, and a broad perspective on their capabilities.

In Kinerja, IOs' management models varied, as Table 3 shows. When IOs did not work directly with local governments, but relied on temporary staff or partner organizations to implement, it was not clear that the IOs' capabilities were necessarily relevant to the long-term objective of developing capable non-state organizations to work with local government. For example, the Kinerja grantee for the Year 1 CHS relied on one of its network organizations in West Kalimantan for implementation. That organization further designated a different partner to carry out the survey in each district. While all these organizations learned a new technical skill, and the grantee and provincial lead likely gained management experience, it was the partner organization in each district that was forging new relationships with local government and with citizens.

In such cases, it may be more productive to strengthen the capacity of the actual district-level implementers. However, in many cases district-level organizations did not meet pre-assessment grant requirements or were considered high-risk IOs. Trade-offs regarding operational level (district-provincial-national) had to be weighed against lack of experience with donor requirements or weak technical skills. Working with national or provincial lead grantees may be efficient or attractive because of presumed technical competencies, but for such implementation arrangements to function effectively, project designers need to assess core capabilities (see previous recommendation) along the chain of implementing entities and target capacity development explicitly to those organizations whose actions are the most critical to achieving objectives. In the case of Kinerja, the small technical team (appropriately sized for a service delivery program) was not sufficient to provide the level of capacity support required to work directly with a large number of dispersed and inexperienced district-level IOs.

Our overall recommendation is to recognize and adapt around the heterogeneity in core capabilities that is apparent within the category of “local organizations.” Partner organizations should be selected in terms of the best match between their constellation of capabilities and specific program objectives, and capacity-development activities should be designed to address any gaps between them. There is no single best subset of local organizations to work with, as collaborations with district, provincial, or national organizations will always involve trade-offs between different types of capabilities.

Simplify and/or stage complex designs

As mentioned earlier, the combination of many unfamiliar aspects (new technical tasks, as well as social, geographic, and institutional contexts) tended to overwhelm IOs, taxing their capabilities to adapt and self-renew and to balance diversity and coherence. Kinerja is a highly ambitious program, requiring IOs to coordinate the sectoral interventions with CHSs, support citizen oversight through multi-stakeholder forums and media work (not included in our study), and work with citizens as well as government partners at provincial, district, and service-provider levels. Kinerja also stipulates disparate tasks (such as passing regulations and conducting trainings, as well as working on technical, physical, and procedural changes with schools/clinics) within a single technical package. We recommend simplifying the scope of IOs’ responsibilities, consciously limiting the number of unfamiliar aspects, or introducing them in stages over a more extended time period (see below). Such changes may lead to more effective implementation of project activities and allow local organizations more space for reflection and adaptation to strengthen their core capabilities.

Adjust performance targets and budgets to reflect starting points

The variations in IO performance and the higher levels of support that may be required for IOs with weaker existing capacity suggest that individual IO’s performance targets should be adjusted to reflect starting points. Given Kinerja’s focus on replicating proven approaches to service delivery reforms, IOs were given standard scopes of work, timeframes, and budgets to implement. While this approach made sense from a service delivery perspective, it did not take into account the learning curve that less experienced IOs, or those working in unfamiliar contexts, faced. Adjusting performance targets and budget to reflect the capabilities of specific IOs could have given these actors more time and resources to implement more modest technical assistance programs while gaining experience that supports their core capabilities. Similarly, the starting points—in terms of service performance, technical

and administrative skills, supporting infrastructure, etc.—for district governments varied, which may also need accommodation in targets and budgets.

Allow longer timeframes

To maximize progress towards Kinerja's service delivery goals and fully utilize existing funds, the program allowed only one year for health and education interventions, to ensure that all districts received technical assistance in both sectors during the course of the program. From a capacity-development perspective, however, this timeframe proved too short for local organizations to engage meaningfully with local partners and reflect on how the technical tasks could be adapted to the local context. Interviewees noted consistently that the one-year duration of Kinerja grants is insufficient to achieve the scopes of work associated with them. Further, Kinerja provincial and district staff reported that after the completion of the grant period it is up to them to continue work with first-round, front-line service providers and manage the replication of the Year 1 intervention to additional sites. Much of the consolidation of reforms and presumable capacity benefits are thus out of the IOs' hands.¹⁵

While working hard to meet scheduled targets may have supported IOs' capabilities to commit and engage, and to complete technical tasks, the one-year cycle limited their capability to adapt and self-renew, as well as to develop deeper relationships with external stakeholders (citizens and officials).¹⁶ It is instructive that the only concrete example of independent innovation was from the BEE IO in West Kalimantan, as the licensing interventions were working on a three-year cycle. It is likely that IOs working in this sector will see larger gains in capacity, not only because they receive support for a longer period of time, but because they have greater opportunities to reflect and build relationships. We recommend that grant cycles extend beyond a single year, to at least two years.

Recognize and reconcile competing program goals

As noted, the choice of a one-year cycle for health and education interventions was driven by Kinerja's service delivery objectives, but may have undermined capacity development. In a similar way, the randomized selection of sites met the desire for rigorous measurement of impacts, but had drawbacks for capacity goals, as some selected districts simply did not have qualified indigenous local organizations that Kinerja could partner with. As a result, some IOs came from other regions but often faced multiple unfamiliar aspects when trying to work in new districts, while others hired local residents but were unable to provide adequate supervision. Both of these models undermined performance. We are not suggesting that program designers should necessarily prioritize capacity goals over other objectives; rather, we urge full and equal consideration of a program's multiple goals, recognition of possible overlaps and contradictions, and relevant accommodations in the design.

¹⁵ The Kinerja design was built on the premise that, if local governments valued IOs' technical assistance, they would be willing to pay for continued support after the one-year intervention. As described earlier, officials rarely reported plans for such support beyond cost-share and replication costs required for Kinerja implementation.

¹⁶ Although given the time pressure to complete given tasks, there were limited opportunities to gain deeper understanding of the service delivery improvement tools and techniques.

IMPLICATIONS FOR USAID FORWARD IN INDONESIA AND BEYOND

The USAID Forward initiative seeks to increase the amount of development assistance provided directly to local organizations with a goal of 30% of mission program funds obligated directly to local institutions (USAID, 2013). In addition, USAID Forward is oriented toward accountability in development assistance by, as the website states, “demanding a relentless focus on results.” Kinerja was designed to embrace these tenets with an implementation model to deliver technical assistance through local organizations and by using a monitoring and evaluation system that includes randomized control trials to link assistance with public service delivery results. The design combines USAID’s commitment to programming based on empirical evidence with global principles promoting country ownership, sustainability, and local organizational capacity development.

However, this approach is based on several assumptions that underpin its successful implementation. The first is availability of local organizations that are capable of the quality of technical assistance required to deliver the expected results. The second assumption is that simply serving as an implementer of a donor development project will help to build capacity of local organizations. While there are indications that local organizations do generally gain capacity by being implementers, these increased capabilities may not be sufficient to enable the organizations to achieve full potential or be self-sustaining in the long-term. The third assumption is that local counterparts (either central government or local government) are interested in, and amenable to, receiving technical assistance from local institutions. Our study raises questions about each of these assumptions.

Assumption 1: Availability of qualified local organizations to deliver technical assistance

USAID’s design of the Kinerja project introduced a novel and ambitious project delivery mechanism that assumed availability of local organizations broadly capable of delivering technical assistance to local governments and communities. The same assumption was implicit in the random selection of sites, which presumed that a minimum number of qualified local organizations were available to partner with in these districts. Where possible, the USAID Mission directed the program to engage local organizations at the district level.

During implementation, Kinerja staff found that some districts had no IOs that met the program’s assessment criteria and that available organizations varied greatly in their capacity to deliver technical assistance. At the district level, organizations often had knowledge or skills in one area, such as technical competencies relevant for one of the Kinerja technical assistance packages, or previous experience working with local governments, but rarely demonstrated competencies in all major areas. Our study notes that IOs increased their capability to complete technical tasks and deliver on development objectives, citing mastery of new tools and improvement in technical and management skills. However, many of the IOs struggled when they were asked to provide technical assistance in unfamiliar institutional, geographical, and social contexts. Some organizations that were deemed to have high levels of technical capacity faced difficulties achieving the same results in new contexts.

The project design was based on the assumption that there were local organizations able to deliver high-quality technical assistance and achieve project deliverables. Without significant capacity-development efforts (which require specialized staffing and budgeting at a large scale), this assumption was not valid. Kinerja made adjustments mid-way throughout the project to accommodate the capacity-building needs of the IOs; however, future projects relying on local organizations should incorporate capacity-development components and accompanying indicators from the start.

Assumption 2: Implementing donor projects builds local capacity

An important issue is whether operational policies and practices based on the USAID Forward strategy for local organizations primarily strengthen those organizations' capabilities to serve as implementation vehicles for project implementation or whether they also build capabilities to function independently and sustainably. While USAID Forward emphasizes reduced dependency and increased autonomy of local organizations, the Kinerja project has found that engaging local organizations as implementers of technical assistance focused on achieving project deliverables limited the opportunities for further capacity development on their own terms. Our study suggests that the capabilities that are associated with more limited dependence on outside resources and externally-driven activities and with sustainability over time (capability to adapt and renew, capability to balance diversity and coherence) are unlikely to be strongly enhanced by implementing Kinerja grants.

Assumption 3: Willingness by local governments to engage local organizations

Indonesian local organizations often face resistance from local governments due to a "lingering hesitation towards limiting state power as advocated by some NGOs" (Antlöv, Ibrahim and van Tuijl, 2006, p. 153) and a perception that since 1998, after the reform movement and democratization in Indonesia, NGOs are still learning and "most NGOs have little experience in positively engaging with the government, the corporate sector, or other stakeholders" (Antlöv, Ibrahim, and van Tuijl, 2006, p. 161). Our study shows that even where local governments were satisfied with results of their collaboration with IOs, there was no guarantee that the local government would engage these local organizations beyond the life of the program. The interview data were inconclusive regarding motivation (whether the issue was cost, procurement restrictions, or bias against working with NGOs). However, these findings raise the broader issue regarding the motivations and mindset of local government toward local organizations and the tradition of state/non-state actor relations historically.

Because many past donor-funded projects in Indonesia used a delivery model of highly trained, highly paid international or national consultants, local governments became accustomed to technical assistance provided through individuals. Many of these consultants and facilitators moved to new jobs when their projects ended. However, rosters of individuals were maintained in case local governments wanted to engage them in the future, despite recognition of the high cost. Indonesian central and local government actors feel comfortable engaging well-known professors, often from their alma maters or reputable universities in Indonesia to provide technical advice, which fits with the individualized model of technical assistance delivery used by many donor projects. Such practices raise the question of whether support for local organizations to provide technical assistance to local governments is indeed more sustainable than other models in Indonesia. They also point to the broader issue of the political economy

of local government decision-making regarding service delivery (see Wetterberg & Brinkerhoff, 2013; Probandari, Utarini, Lindholm, & Hurtig, 2011).

CONCLUDING REMARKS

This study provides insight into the “state of the field” of local organizations serving as technical assistance partners with government actors at the district level and identifies the importance of a broad conception of core capabilities and capacity development in contributing to the ability of local organizations to fill technical assistance roles. Kinerja began with an implementation model based on primary provision of technical assistance through local organizations, with a streamlined technical staff supporting them. As recounted above, experience with IO performance led to mid-course adjustments. These included placing technical staff at the provincial level to provide additional support and guidance to the local organizations and establishing a capacity-development task force to provide a range of training, refresher courses, and mentors for the local organizations depending on their assessed needs. Thus a hybrid model combining local organizations with technical support from individual experts evolved. However, it remains to be seen whether this model is sustainable if and when local governments pay for technical assistance directly.

The questions around demand from subnational governments for technical assistance provided by local intermediary organizations raise the issue of the enabling environment needed for long-term capacity development of local organizations and for state-civil society engagement in Indonesia. The challenging enabling environment for civil society development in Indonesia is well documented, including a lack of domestic funding from government and the private sector, thus resulting in perverse incentives for “briefcase NGOs” that work from project to project rather than focus on developing organizations with enduring capacity beyond their founders (see Antlöv, Brinkerhoff, & Rapp, 2010). There is a need to focus on partnership with local organizations to implement their own programs versus contracting them to implement project-specific goals. Future research should explore how government, donors, and civil society can collaborate to enhance local organizations’ technical specialization, self-directed setting of priorities, and sustainability and legitimacy among relevant stakeholders. In addition, these and other findings are likely to be relevant for other countries and development projects. Replicating the study in other contexts to further investigate broader applicability would enhance understanding of local capacity development.

Overall, our study recommends that future governance programs aligning with USAID Forward would benefit from project designs addressing the demand (or lack thereof) from local government for technical assistance provided by local organizations and the enabling environment for capacity development of such local organizations (legislative framework, funding mechanisms, civil society discourse). Built-in project flexibility regarding the mechanisms for delivery of technical assistance and inclusion of capacity-development components in project design (including staffing structure, budget, and monitoring and evaluation indicators) would aid projects in responding both to the complex set of local dynamics between state and non-state actors and the varying capacities of different local organizations providing technical assistance. Finally, supporting local organizations to design and implement their own programs versus contracting them to execute project-specific goals would contribute to capacity

development and lead to more sustainable outcomes. Incorporating a systems approach to local capacity development will aid projects in more effectively achieving the focus on ownership and results that USAID Forward promotes.

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ANNEX A. DRAFT ASSESSMENT TOOL FOR CORE CAPABILITIES¹⁷

Organizational Core Capabilities: Indicators and Ratings						
Organization Rated:				Rater:		
Scoring: 0 = Absent/Nonexistent 1 = Weak/Nascent 2 = Emerging/Needs Major Improvement				3 = Functional/Some Minor Gaps 4 = Strong/Exemplary		
Core Capability	0	1	2	3	4	Notes
To Commit and Engage						
Can plan, take decisions						
Has a legal basis for engaging in binding commitments						
Can mobilize financial and human resources within the organization						
Budgeting is realistic and links to service delivery and programs						
Has committed and stable leadership						
Structure and procedures permit staff sufficient autonomy and flexibility						
Accounting practices satisfy legal requirements and provide accurate data, reporting is timely						
Administrative and personnel procedures are systematized and efficient						
To Complete Technical Tasks and Deliver on Development Objectives						
Can maintain/expand current and future financial and human resources base as needed						
Can manage dependence on external funder requirements and meet performance demands						
Can generate own financial resources (members, services/products, or subsidies)						
Can access (external) knowledge sources and expertise as needed						

¹⁷ The tool expands upon the ECDPM capabilities framework (Baser & Morgan, 2008) and associated studies (de Lange, 2013).

Organizational Core Capabilities: Indicators and Ratings						
Delivers high quality services						
<i>To Relate to External Stakeholders</i>						
Can build and maintain networks with outside actors to achieve objectives and attract resources						
Can inspire staff and stakeholders regarding mission vision, and communicate effectively						
Understands and responds to stakeholder and funder concerns						
Networks and partners to build positive relations and synergies to achieve objectives						
<i>To Adapt and Self-renew</i>						
Pursues internal learning on performance and strategy; and modifies/updates plans during implementation						
Can analyze political trends and understand consequences						
Maintains orientation to performance and future needs/opportunities						
Undertakes regular sustainability planning						
Is attentive to changes in operating environment and responds quickly						
<i>To Balance Diversity and Coherence</i>						
Has a clear vision and mandate; communicates mission to staff and stakeholders						
Lines of authority are clear and facilitate decision-making						
Organizational units fit mission and service functions						
Services provided fit mission and functions						
Can adequately involve multiple stakeholders in developing shared strategies and plans						

ANNEX B. DESCRIPTIONS OF CASE STUDY IOS

	WK-Health	EJ-BEE	EJ-Education	EJ-Ed/CHS	WK-BEE	WK-CHS	EJ-Health
Headquarters	W. Kalimantan	E. Java	E. Java	E. Java	W. Kalimantan	W. Kalimantan	E. Java
Description (year founded)	Provincial chapter of national health organization (1971)	Provincial office of NGO focused on small business advocacy, capacity building (1988)	NGO providing education sector technical assistance & training (2010)	NGO working for marginal people's empowerment through environment, gender, and local community development (1988)	NGO working on civil society strengthening, small and medium enterprises & economic development, conflict resolution, environmental education (1998)	NGO focused on community development for local residents in forest areas (1987)	Provincial chapter of national health organization (1967)
Past funding sources	International donors	International donors, corporate social responsibility (CSR) funds	Local governments, CSR funds	International donors, CSR funds	International donors	Local governments, international donors	International donors
Pre-assessment technical rating	Highest ranked technical proposal	Highest ranked technical proposal	Highest ranked technical proposal	Highest ranked technical proposal	Only organization in province with technical competence	Second ranked technical proposal	Third ranked technical proposal
Pre-assessment administrative risk rating	Moderate/low	Low	Moderate	Low	Low	Moderate	Low
Kinerja sector	Health	Business-enabling environment	Education	Education	Business-enabling environment	Education & health	Health
Kinerja tasks	Maternal & child health (MCH)	One-stop shop (OSS)	Proportional teacher distribution (PTD)	School-based management (SBM) and complaints handling survey (CHS)	OSS	CHS (sub-grant from national NGO umbrella organization)	MCH
Kinerja regions	W. Kalimantan	E. Java	E. Java, W. Kalimantan	E. Java, W. Kalimantan	W. Kalimantan	W. Kalimantan	E. Java

ANNEX C. COMPARISON OF KINERJA PRE-ASSESSMENT TOOLS WITH DRAFT TOOL FOR CORE CAPABILITIES

Organizational Core Capabilities: Comparison with Kinerja assessment tools	
Assessments used: <ol style="list-style-type: none"> 1. <i>Management System Questionnaire</i> (MSQ) : completed by applicant as part of submission to Kinerja 2. <i>Grants Project Proposal Assessment</i> (GPPA): administered to all proposals submitted in response to RFA 3. <i>Site Visit Assessment Tool</i> (SVA): administered by Kinerja staff to selected organizations prior to award 4. <i>Memorandum of Negotiation</i> (MON): summarizes criteria underlying final selection for award 	
Core Capability	Kinerja Assessment(s) Addressing
<i>To commit and engage</i>	
Can plan, take decisions	
Has a legal basis for engaging in binding commitments	MSQ
Can mobilize financial and human resources within the organization	GPPA (org. capacity and performance)
Budgeting is realistic and links to service delivery and programs	GPPA (cost-effectiveness criteria)
Has committed and stable leadership	
Structure and procedures permit staff sufficient autonomy and flexibility	SVAT ¹⁸
Accounting practices satisfy legal requirements and provide accurate data, reporting is timely	SVAT MSQ
Administrative and personnel procedures are systematized and efficient	MSQ SVAT
<i>To complete technical tasks and delivery on development objectives</i>	
Can maintain/expand current and future financial and human resources base as needed	
Can manage dependence on external funder requirements and meet performance demands	GPPA (org. capacity and performance) MON (list of past programs and funds) MSQ (request for references)
Can generate own financial resources (members, services/products, or subsidies)	
Can access (external) knowledge sources and expertise as needed	
Delivers high-quality services	GPPA (technical approach)

¹⁸ Some assessment of HR procedures but no focus on autonomy/flexibility.

Organizational Core Capabilities: Comparison with Kinerja assessment tools	
<i>To relate to external stakeholders</i>	
Can build and maintain networks with outside actors to achieve objectives and attract resources	GPPA (org. capacity and performance; technical approach) MON (list of past programs and funds)
Can inspire staff and stakeholders regarding mission vision, and communicate effectively	
Understands and responds to stakeholder and funder concerns	
Networks and partners to build positive relations and synergies to achieve objectives	
<i>To adapt and self-renew</i>	
Pursues internal learning on performance and strategy; modifies/updates plans during implementation	GPPA (M&E criteria)
Can analyze political trends and understand consequences	
Maintains orientation to performance and future needs/opportunities	
Undertakes regular sustainability planning	
Is attentive to changes in operating environment and responds quickly	
<i>To balance diversity and coherence</i>	
Has a clear vision and mandate; communicates mission to staff and stakeholders	MSQ (copy of annual report)
Lines of authority are clear and facilitate decision making	
Organizational units fit mission and service functions	
Services provided fit mission and functions	
Can adequately involve multiple stakeholders in developing shared strategies and plans	