This document constitutes the terms of reference for the activity ‘Strengthening Local Government Natural Resource Management Capability’. It describes the responsibilities, the tasks to be performed, and the deliverables to be submitted by the implementing agency to the Decentralization Support Facility and BAPPENAS.
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Activity summary

This activity seeks to improve the way natural resources are managed by local governments. More effective management will boost local economic development and provide additional revenue for local governments to finance service delivery. Towards this end, the activity will: (1) examine in a small number of local governments the ways in which a sample of natural resources is managed and consider means for improving such management; (2) propose organizational changes and capacity building measures at the local level that take into account important aspects of the political economy context and draw on comparative experience; (3) build local capacity for undertaking such organisational development in two pilot areas; (4) establish principles underlying the better management of the sample natural resources that may be generalized to other local governments and/or natural resources; (5) design training and development programs for local governments that embody these general principles; (6) design training and development programs to increase Bappenas’ capacity to carry out national dissemination; and (7) make suggestions for the revision of governing legislation and on broader issues of organizational design at other levels in the government system.

This activity is to be implemented over a period of 16 months from 1 March 2010 to 30 June 2011.

The DSF

The Decentralization Support Facility (DSF) is a government-led multi-donor trust fund whose principal purpose is to support the decentralization agenda of the Government of Indonesia. Within the field of decentralization, the DSF fulfils three principal roles, which are designed to help the Government of Indonesia to: Improve the harmonization, alignment, and effectiveness of development assistance; Inform and thereby improve policy development and implementation; and Build governance capacity, particularly at sub-national levels.


I. Background

In this activity attention is given to land-based resources, such as land suitable for plantation development and urban development and also marine-based resources, such as beaches and coral for tourism development and sea resources for fisheries. Forestry may be considered in so
far as proposed developments may impact upon the management of forests. Logging is outside
the scope of this activity but potential downstream economic activities may be considered. Oil
and gas reserves and mineral resources are excluded as the national frameworks for managing
these resources is complex, local governments have less flexibility in managing them, and the
activity will generate more useful results by focusing on a limited number of resources.

Decentralization in Indonesia changed the fiscal relationship between the centre and the
regions, including how revenues from natural resources are shared. Producing regions have
benefited most from the changes. In the forestry sector, pre-decentralization royalties were
divided between centre and regions at 55/45 and after at 20/80, including a more complex
division between producing districts and non producing districts and provinces. Similarly,
revenues from forest concessions were split 30/70 before and 20/80 after the implementation
of decentralization. Revenue sharing from mining followed a similar pattern with a larger share
of revenue directed to producing regions after decentralization. Revenue from oil and gas is also
divided between the centre and regions with producing regions receiving a proportionally larger
share. Aceh and Papua have different arrangements, whereby an even larger share of revenue
generated from within the provinces is returned to the provinces. The general allocation of the
central and regional government for nontax revenue is 20/80 percent. Oil and gas revenues are
two important exceptions. Regions receive different percentages of oil, gas and reforestation
funds.

The legal framework governing the exploitation of natural resources is highly complex. Aside
from the main decentralization laws (Law 32/2004, Law 33/2004 and also GR 38/2007), detailed
laws governing the control of natural resources and specific commodities are drafted by the
relevant sectoral ministries. Law 33/2004 provides for more types of natural resources revenue-
sharing between the national and regional governments. Even ten years after the passing of the
first decentralization law (Law 22/1999), there remain contradictions between sectoral laws and
the broad decentralization laws. Through GR 38/2007, local governments have discretionary
authority over many natural resources and exclusive authority over a few. The precise division
of responsibilities for each commodity is complex and at times confusing. GR38/2007 defines
governance functions into two domains. The first domain contains functions that are absolutely
under central government authority. The second domain is called “concurrent functions”, which
contains functions that are jointly managed by both central and local government. Concurrent
functions are divided into obligatory functions (urusan wajib) and optional functions (urusan
pilihan). Most of the functions related to natural resource management fall under optional
functions (sea and fisheries; agriculture; forestry; energy and mineral resources; and tourism) as
different types of resources are prevalent in different local jurisdictions.

At the national level, responsibility for natural resource management is spread throughout the
relevant departmental ministries – Home Affairs; Industry; Trade; Energy and Natural Resources;
Forestry; Agriculture; Maritime Affairs and Fisheries; Culture and Tourism. Of the state
ministries, Bappenas has a key role in providing support and guidance to other ministries and
will use the evidence derived from this activity to help other relevant ministries to improve the way natural resources are managed in the interests of better local economic development.

Bappenas’ Deputy for Regional Development and Regional Autonomy is the main client of this activity and is tasked with formulating policy and plans for national development. In relation to regional economic affairs, the Deputy for Regional Development and Regional Autonomy coordinates and synchronizes development planning at the national level, formulates polices, and conducts evaluations and analysis in the regions. It is this last function which provides the basis for the institutional hosting of this activity. In Bappenas, the Deputy for Natural Resources and the Environment is responsible for formulating policy and national development plans in the area of natural resources and the environment. Five directorates report to the Deputy: Food and agriculture; forestry and water source conservation; sea and fisheries; energy, mineral and mining resources; and the environment. The implementing agency will ensure that Bappenas is given every opportunity to contribute fully to the success of this activity.

While the main engagement is with Bappenas, the implementing agency needs to understand how other relevant ministries set many of the rules that constrain or incentivize local natural resource management practices. The implementing agency will therefore need to engage closely with these other ministries. Bappenas will be able to facilitate this.

**Donor engagement**

Starting in 1990 USAID’s Natural Resource Management Program was designed to improve natural resource management in the interests of economic growth. From 1997, as the authority and responsibilities of local governments increased, the program began to focus more on regional natural resource management. West Kalimantan, North Sulawesi and Irian Jaya (Papua) were selected as focus regions. Key lessons learned included: the need to involve all stakeholders in natural resource management; the need for clarity of functions between agencies and levels of government; the development of networks to preserve ecological systems; and a legal system that covers the roles of all stakeholders.

Several donor programs focus on economic development and environmental issues. For example, the Indonesian-German Environmental Program (1999 to 2011) seeks to reduce environmental pollution and improve the eco-efficiency of industrial companies. The German Government also supports Indonesia’s forestry sector through a project entitled, ‘Strengthening

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1 USAID’s Natural Resources Management Office lists many relevant Indonesian specific papers (Go to: [http://rmportal.net/groups/nrm/](http://rmportal.net/groups/nrm/))

2 Go to: [http://www.bappenas.go.id/node/53/](http://www.bappenas.go.id/node/53/)

Management Capacities in the Indonesian Forest Sector\textsuperscript{4}. German support has also been provided to the Ministry of Environment.

The World Bank’s Coral Reef Rehabilitation and Management Program II\textsuperscript{5} (2004-2009) seeks to make coral management more sustainable. The Bank’s Water Resources and Irrigation Sector Management Program Project seeks to ensure the inclusion of local communities in decision-making over resource allocation to irrigation, and river management. The Bank also works in the forestry sector to bring about more sustainable and equitable forest governance and management programs\textsuperscript{6}.

AusAID has supported several programs related to natural resource management, including the Coral Reef Rehabilitation and Management Program I, Bapedal Regional II Institutional Strengthening Project (completed 2004) and Bapedalda East Java Institutional Strengthening Project\textsuperscript{7} (completed 2005).

DFID is a major funder of the Multi-stakeholder Forestry Program\textsuperscript{8}. The program seeks to support forest governance reform by strengthening government and civil society partnerships at local and national levels to build capacity, empower community forest managers and develop and implement policy. The first phase ran from 2000-2006 and DFID committed to further funding for a second phase from 2008.

The Danish government funded the Environmental Sector Program Support between 2006 and 2008 with a second phase from 2008 to 2012\textsuperscript{9}. The three program components cover support to public sector institutions, energy efficiency and, of most relevance to this activity, support to decentralized natural resource management and renewable energy. Support is channelled through PNPM and is focused on North-western Sumatra, community natural resource management, local capacities for resource management, rural electrification and developing renewable energy sources. For program management, on the government side Bappenas chairs a cross-ministerial committee which seeks to ensure that the program is aligned and supportive of government priorities for environmental issues. The UNDP recently launched a new initiative in collaboration with the Ministry of Forestry and the Global Environment Facility to improve

\textsuperscript{4} Go to: http://www.gtz.de/en/weltweit/asien-pazifik/indonesien/17496.htm


\textsuperscript{8} Go to: http://www.mfp.or.id/

forest and watershed management in Indonesia. The project is designed to enhance and upscale the Government’s programs on community-based forest and watershed management by addressing inequitable distribution of benefit from forest resources and also developing models of community based in watershed management.

CIDA has invested substantially in natural resource management and environmental programs in Sulawesi, currently totalling about $40 million. Firstly, CIDA is supporting the Green PNPM program (2006-2012) in four provinces of Sulawesi. The support comprises a number of pilot projects that focus on sustainable natural resource and environmental management. Block grants are provided at district and sub-district levels for financing green ‘projects’ identified as priorities by the community. Secondly, CIDA also funds the Environmental Governance and Sustainable Livelihoods Program (2008-2013) which operates in two provinces and focuses on developing linkages between community activities in watersheds and higher-level policy and decision-making for watershed management. Thirdly, CIDA is financing the strengthening of the Outreach and Education Network for Natural Resource Governance (2005-2010) which aims to build environmental awareness among a wide range of stakeholders throughout Sulawesi. Fourthly, CIDA is funding the Tomini Bay Sustainable Coastal Livelihoods and Management program (2007-2011) in three provinces which seeks to improve the governance of coastal and marine resources and the livelihoods of people in the area. If a province in Sulawesi is selected for the pilot stage then there will be strong links between the CIDA-funded programs and the Bappenas/DSF activity. The implementing agency should inform itself of all relevant donor programs in pilot provinces and ensure there is effective coordination between activities to avoid overlaps and maximise benefits.

Donors have also been working in Papua, a natural resource rich region which offers huge potential for improved natural resource management. The Papua Development Needs Assessment is a multi-donor study led by the World Bank and the UNDP.

It is essential that the implementing agency take proper account of recent and ongoing donor engagement to avoid duplication and ensure that the work envisaged under this activity has maximum impact. The DSF Executive may be able to facilitate dialogue with donor program staff working in the field of natural resource management.

Gender


11 See: Canadian Development Assistance in Indonesia, July 2009. CIDA.

12 Go to: http://www.undp.or.id/papua/docs/PNA_en.pdf
It is incumbent on implementing agencies to consider carefully the gender ramifications of the work that they do, and to demonstrate in their work plans how they will do this and in their reports what progress is being made. Several recent papers deal with the issue of gender and natural resource management. Community participation in resource management is often touted as an institutional imperative. However, such participation can, perversely, lead to the exclusion of significant sections of the community, such as women. Women may face barriers to obtaining and maintaining property rights over natural resources and policies should seek to overcome these. Whilst culturally defined roles in natural resource management are often strong, such roles can be a lot more flexible than first appears and subject to negotiation and change. Clearly, the policy implications of gender roles in natural resource management need to be well understood if equity considerations are to be accommodated in reformulations. The implementing agency is expected to address these gender issues. A selection of gender specific literature relevant to natural resource management issues is included in the Activity Concept Note.

II. Rationale

While regional autonomy has assigned regional governments greater authority in managing the economy this has yet to lead to significant improvements in local economic development. Efforts thus far undertaken have often been piecemeal and, as in other aspects of local autonomy, many governments have struggled to cope with their increased authority and responsibilities. This is partly reflected in regional governments’ continuing dependence on centrally transferred balancing funds. After eight years of the implementation of regional autonomy there has yet to be a concerted and sustained effort from central and regional governments to reduce fiscal dependence.

The economic impacts of decentralization at the local level are substantial, yet somewhat neglected, perhaps because local governance and democracy issues take precedence. The current management of natural resources at the local level is far from optimal and this is evidenced by poor welfare outcomes for citizens, even in resource-rich regions. Better management will lead to better economic and welfare outcomes through increased employment opportunities and increased revenue for local governments, which can be spent on service delivery. It could also result in reduced dependence on national government fiscal transfers.

Natural resource management should be sustainable, both economically and environmentally and generate benefits over the longer-term. Better management needs to attend to all of these dimensions. This activity will concentrate on building local government management capability, but it will also yield and think through implications for other levels of government and different
government agencies. At the local level, support will be provided directly to local governments to develop their capacity to manage the natural resources lying within their jurisdictions\(^\text{13}\). For central government, efforts will be made to improve the institutional and legal framework within which local governments are afforded the authority and given the support to manage resources. Bappenas plays a key coordinating role in providing support to other ministries and is well placed to fulfil this function. Evidence from the local level will inform the work at the central level.

The DSF is running several activities under DSF’s Priority Area 4 – Planning and Performance Measurement. The consultant should seek to ensure that synergies are achieved between this work and work in other related areas. Activity Concept Notes are currently available for the following activities: ACN 2/2009 on Capacity Development for Regional Policy Development; ACN 5/2009 on Institution Building for the Integration of National-Regional Development and Spatial Planning; and ACN 8/2009 on Institution Building for the Accelerated Development of Border Areas.

### III. Goal and Objectives

**Goal:** The goal of the activity is to strengthen local government capability to manage natural resources in the interests of local economic development

**Objectives:**

- Improved local government natural resource management (NRM) systems and organisational arrangements.
- Sufficient capacity within local governments to implement and sustain new systems and to undertake the organisational development activities necessary to support the implementation of new management systems.
- Improved organizational design at national and provincial levels of government.
- Improved capacity within Bappenas to conduct, review and update training programs to support local governments in implementing more effective natural resource management systems.

\(^{13}\) For a practical guide on developing local government capacities see: UNDP’s ‘Supporting Capacities for Integrated Local Development’ (2007).
IV. Scope of Services

The scope of services is organised according to the following sections and based on a planned starting date of 1 February 2010 and a planned end date of 31 March 2011:

(1) Desk review of literature, legislation and policy concerning NRM in Indonesia at the national level; (2) Selection of pilots and natural resources; (3) Detailed investigation into management of selected natural resources in two pilot provinces; (4) Examination of management and organisation and other aspects of capacity for the management of selected natural resources in the pilot provinces; (5) Recommendations for capacity development and the introduction of change in the pilots; (6) Development of training programs and other interventions for capacity development in pilot local governments; (7) Formulation of capacity development guidelines for other local governments and/or the management of other natural resources; (8) Design and implementation of training program for Bappenas to be able to carry out dissemination activities and capacity development for local governments; and (9) Recommendations for the improvement of existing legislation and organisational arrangements at national and provincial levels pertaining to the selected natural resources.

1. Desk review of literature, legislation and policy concerning NRM in Indonesia at national level.

The implementing agency will conduct a desk review of relevant literature on NRM in Indonesia; relevant current and recent government and donor programs related to NRM; and key national level legislation and policies. The desk review should exclude the mining and oil and gas sectors as these will not be included in later stages of the activity. The implementing agency will also need to identify and draw upon existing institutional maps of natural resource management at national, provincial and district/city levels and existing legal analysis. The implementing agency is not expected to conduct a new institutional mapping or legal analysis. However, it is necessary to understand how different levels of government exercise their authority and interact with one another and the extent to which local governments have the authority to manage different natural resources, and existing analysis will be able to inform this. Legal (in)consistencies between sectoral and decentralization laws need to be understood.

Deliverable: Desk review of Indonesian literature on NRM, legislation and policies (end April 2010).

2. Selection of pilots and natural resources.
The implementing agency will select two provinces and between one and three districts/cities in each province for the pilot stage of the activity. The implementing agency should develop criteria for the selection of provinces and districts/cities and provide clear justification for the selection of provinces and districts/cities in close consultation with Bappenas. Potential provinces include those in Papua, Sulawesi and elsewhere, as deemed appropriate following close consultation with Bappenas. Provincial government representatives and other stakeholders should participate in the selection of districts/cities.

Two or three natural resources should be selected for the entire activity (i.e. either one or two for each province). Criteria for selection of natural resources should include resource abundance; type of jurisdiction (for example, Special Development Area and Less Developed Area); the importance of different sectors such as marine, agriculture and tourism to the local economy; and DSF priority provinces - where more than one DSF-supported activity is running or will run shortly. Due consideration should also be given to what cases are already considered as good/bad examples of natural resource management, which can be drawn from the earlier desk review. Natural resources over which local governments have considerable authority should be prioritized. It is reiterated that mining and oil and gas will not be covered as the management of such resources is tightly defined and strictly regulated, leaving local governments with little room for manoeuvre. Forestry may be considered in terms of timber processing and connected downstream economic activities, but logging per se would not be suitable. Consideration should be given to a wide range of possibilities, including those that might be categorised as marine-based resources for tourism and fisheries; and land-based resources suitable for plantations, urban development and tourism. Given that large swaths of land are covered by forests and that development activities, such as agricultural and tourism development, may have negative or positive implications for forest conservation the implementing agency will need to carefully consider how resource management impacts on forests. Indeed, we would like to see in the technical proposal how the implementing agency intends to engage with wider environmental issues within the activity.

It is worth noting that effective change often hinges on effective local leadership and an assessment should be made of this factor in pilot selection at both provincial and, perhaps even more importantly, at district/city level.

**Deliverable:** Selection and justification for pilot local governments and natural resources (May 2010).

3. **Detailed investigation into management of selected natural resources in two pilot provinces**

The implementing agency will conduct a thorough examination of management and organisation systems for selected natural resources in the pilot areas. The focus will probably be
at the district/city level, but the role of the provincial government will need to be properly accounted for, in terms of its exercise of coordination, facilitation, oversight and mediation roles. The initial assessment will include data on existing natural resource management systems and organisational arrangements and assess weaknesses and strengths of such systems and arrangements. The study will need to examine the way provinces and districts/cities interact to manage natural resources. The study will document information on: (1) type, location and prevalence of natural resource (including where resources lie across jurisdiction boundaries); (2) socio-cultural conditions; (3) ecosystems; (4) economic potential; and (5) existing and required infrastructure.

Interviews will need to be conducted with government officials from relevant departments, representatives of the business community involved in resource extraction, and others as necessary, including, for example, employees and community members in the vicinity of the resource. Current patterns of management and organisation should be assessed for natural resources which are already exploited as well as an assessment made for natural resources not currently exploited. The implementing agency will be expected to establish:

- The current management system of the natural resources in each field study by focusing on a limited number of natural resources in each field study.
- How local governments interpret and implement laws and regulations on resource management and how they deal with higher level institutions.
- How local governments set and enforce the rules on private sector investment.
- The extent to which government revenues are generated through taxes, charges and concessions related to natural resources.
- The impact on local communities of resource extraction and the extent to which downstream economic activities are generated.
- The extent to which local governments’ strategies and polices on natural resources are environmentally sustainable and how issues of gender are accommodated.

How private enterprises interact with government at different levels, how investment opportunities are identified and promoted and what constraints are faced and incentives provided in developing businesses related to natural resources.

**Deliverable:** Assessment report on current management and organization systems for the selected natural resources (August 2010)

**Examination of management and organisation and other aspects of capacity for the management of selected natural resources in pilot local governments.** The implementing agency will explore alternative management systems for local level natural resource management that are not currently evident in the pilot areas and to establish the feasibility of these systems based on input from regional stakeholders, national and international experience, and input from relevant national government officials. The implementing agency should assess
the key areas of natural resource management including those as outlined below. This will inform the subsequent recommendations for capacity development and change in the pilot local governments. Areas for consideration include:

- Inventorizing natural resources and their economic potential;
- Asset capitalization;
- Business plans, including pre-feasibility studies, business strategy formulation, production management design, marketing, human resources, business supporting facilities and infrastructure, and management selection and vertical (upstream-downstream) and horizontal investment needs. Due consideration also needs to be given to environmental impact, economic costs/benefits and impact on communities;
- Proposing organization changes that will be needed if a new approach is to be successfully implemented. This will need to encompass both provincial and districts/city governments given that natural resources often lay across district/city boundaries.
- Proposals on new institutions to manage natural resources (if necessary) such as joint enterprise models to accommodate all relevant stakeholders (business managers, workers, surrounding communities, provincial governments, and district/city governments). The implementing agency should explore the feasibility of implementing a management system and organisation for joint ownership among stakeholders in enterprises.
- Supervision and control, covering systems and procedures for supervising and controlling production, marketing and environmental impacts;
- Formulation of policies on fiscal incentives, credit guarantee, infrastructure and other supporting facilities.

**Deliverable:** Report on management and organisational capacity on natural resources in pilot local governments, including recommendations for change in pilot local governments (November 2010).

4. **Recommendations for capacity development and the introduction of change in pilots**

Based on a more detailed and nuanced understanding of NRM issues at the local level, the implementing agency, in consultation with stakeholders, is expected to derive recommendations for capacity development and the introduction of change in the pilot local governments.

To implement change local government capacities will need to be developed. Capacity development goes beyond training. Whilst the individual’s capacity to perform is important, this is only one of three levels of capacity. The other two levels are: first, the organization level of
capacity that encompasses the internal policies, arrangements, procedures and frameworks that enable an organisation to operate and fulfil its mandate; and second, the higher level enabling environment level of capacity, which describes the broader system within which individuals and organisations function and helps or hinders their performance\textsuperscript{14}.

It should be noted that capacity development interventions are unsustainable if they do not address political considerations and deal with the question of ‘winners and losers’. Given the opportunities to extract rent from natural resource management this issue is all the more pertinent for this activity. Therefore, the implementing agency will need to consider appropriate political and social incentives and, crucially, mobilize strong political ownership and commitment from the outset. Donor development assistance can, perversely, undermine ownership and capacity if it is not well managed. Therefore, it is absolutely crucial that the implementing agency establishes a capacity development strategy with this risk mitigated as far as reasonably possible.

The implementing agency will need to consider which local government units and which local government staff to engage with to develop the necessary capabilities\textsuperscript{15}. A capacity assessment will need to be conducted and the implementing agency will be expected to develop/modify a tool to assess capacity needs which covers the aspects of capacity mentioned above covering the enabling environment, the organisational level and the individual level.

Following UNDP’s recent work on developing capacities for local development, the implementing agency will consider:

- **Capacity to engage with stakeholders outside of the local government** (including community groups, business representatives, academic institutions, worker groups and environmental NGOs). The Government of Indonesia is eager to explore multistakeholder options for the better management of natural resources. The first requirement is the capacity to identify relevant stakeholders and what roles they currently play and what roles they could play. Women’s organisations should be considered as potential stakeholders if not currently included. The next stage is to mobilise stakeholders.

- **Capacity to assess the current situation**, including how to identify natural resource potential and weaknesses in current systems of management. Key to this is the capacity to collect and analyse data.

- **Capacity to create a realistic vision for natural resource management** in the longer-term and the capacity to formulate policies and strategies to achieve that vision. The vision is usually articulated by the local government head (bupati or walikota); however these visions are sometimes unrealistic and are not supported with policies and strategies.


Whilst leadership is important, lower level capacities need to be developed and policies formulated that will support continued successful implementation beyond the local election cycle into successive administrations. The new strategies derived from this activity may be articulated in a master plan for regional economic development (such as a five-year plan) with a primary focus on long-term sustainable natural resource management. This will include providing recommendations as to how resources can be better harnessed to generate revenue (PAD) in an economically and environmentally sustainable manner. This should be strongly linked to national development frameworks to ensure political support and consistency.

- **Capacity to implement.** This includes developing the capacities to budget and manage the process. Any new management systems will have budget implications and local governments need to develop the capacity to know what these are, where they will be budgeted and how this process will be managed. Technical skills will be needed to implement new systems and the implementing agency, together with local government staff, will need to identify these technical skills and devise and implement a training program to develop these skills. Specifically, the implementing agency may be required to develop local government capacities to formulate business plans for specific resources.

- **Developing the capacities of the local government to monitor and evaluate** the new system of natural resource management. This is essential to ensure the sustainability of the activity beyond its 15-month life. Local governments need to develop their own in-house capacity to track implementation and to make adjustments as necessary. A participatory approach to monitoring and evaluation is likely to yield good results and has been shown to deepen local ownership and commitment. Given the contentious nature of natural resources, this approach may be advisable and efforts should be made to bring local government along with this approach.

- **Capacity building for regional stakeholders** involved in resource management may need to be included - dependent upon the new management systems to be implemented.

Capacity development alone may not suffice. For new management systems to operate effectively, institutional arrangements need to be in place if the development objectives are to be realized. The capacity assessment may reveal that intra-government and inter-government (horizontally and vertically) coordination mechanisms are ineffective and/or inefficient for managing natural resources. Therefore, the implementing agency will need to work with the local governments to strengthen these mechanisms - perhaps between districts where neighboring districts have an interest in developing a shared resource and between levels of government where the province has a role in coordinating between districts. Resistance to change and organisational culture will also be crucial factors to consider. At the local government level, such analyses should include:

- The extent of organisational differentiation in the management of natural resources, that is, the extent to which different natural resources are managed by separate
specialised organisational units or, if differentiation in the management of natural resources is based on different criteria, what those criteria are, and the rationality of such arrangements.

- Management of the interactions between units, or integration – how is this done? How is authority distributed? Is there sufficient delegation? Are meetings held? How are they managed and used? Is there too much top down control? Is there too much or too little standardisation of work processes or work outputs? Are jobs too rigidly defined, reducing flexibility and mutual adjustment?
- The culture of the organisation in terms of, for example: cohesion and unity of purpose; commitment; service orientation; integrity; productivity and action orientation; resistance to change and uncertainty avoidance.

This will not be an easy task; hence considerable effort needs to be directed at this. The approach adopted by the implementing agency will need to account for stakeholders’ interests, shifts in power and responsibilities and other political-economy considerations, including, for example, changes in opportunities to extract rents.

**Deliverable:** Strategy for training and other interventions for capacity development in pilot local governments (December 2011).

5. **Development of training programs and other interventions for capacity development in pilot local governments.**

The implementing agency is expected to develop training programs and other interventions as appropriate to achieve the capacity development and institutional change deemed necessary to achieve the goal of improved local-level management of natural resources. The types of knowledge to be transferred need to be clearly identified as well the target institutions and positions. The training needs to be delivered using the most effective techniques to achieve desired results within a set time frame. The implementing agency will require considerable training resources to conduct such activities and experience with adult learning techniques, including action learning. Due consideration should be given to the fact that whilst real improvements are required in the pilot local governments longer term capacity development initiatives for local governments across Indonesia will need to be coordinated at the national level and human and financial resources found to deliver capacity development programs. Therefore, the type and scale of training should be developed in close cooperation with Bappenas in order to allow for the possibility of national level uptake.

**Deliverable:** Programs and materials for training and other interventions for capacity development in pilot local governments (January 2010).

6. **Formulation of capacity development guidelines for other local governments and/or the management of other natural resources.**
Based on the work in the pilot local governments, the implementing agency will be required to draft guidelines on natural resource management that are appropriate to other local governments and/or other natural resources.

It is recognised that many of the challenges of managing natural resources are specific to individual local governments and/or natural resources. A host of factors point to regional specificity, such as resource type, prevalence, capacity, infrastructure, market access, local institutional arrangements, differing local regulations and socio-cultural factors. Nevertheless, it is likely that some findings will have general relevance – across either or both other natural resources and local governments. Likely examples would include: management structures, management expertise, engagement with non-government stakeholders, and local government revenue generation.

These guidelines, both resources specific and/or generic will be disseminated to all relevant local governments. The implementing agency should work with Bappenas to develop training and other development programs for local governments that embody the general principles represented in the guidelines,

Deliverable: Generic guidelines on NRM for other local governments (February 2011).

7. Design and implement training program for Bappenas to be able to carry out dissemination activities and capacity development for local governments.

The implementing agency is expected to assist Bappenas to develop its capacity to disseminate the lessons drawn from this work, including the guidelines, and to develop Bappenas’ in-house capacity to conduct organizational and management analyses and capacity development activities for local governments. This is essential if longer-term goals are to be reached whereby a significant number of local governments are able to improve the way they manage natural resources. Bappenas plays a key coordinating role in central government and a relatively modest investment in improving capacity within Bappenas has the potential to achieve significant results. The implementing agency will work closely with Bappenas to identify capacity shortfalls, develop a capacity development program and deliver the training and other activities as appropriate. The implementing agency should also work with Bappenas to develop a national monitoring and evaluation framework for the widespread adoption of more effective management systems.

8. **Recommendations for the improvement of organisational arrangements at national and provincial levels pertaining to the selected natural resources and recommendations for revisions to existing legislation.**

The aim of the activity at the national level is to establish a strategy to implement a more effective approach to natural resource management on a nation-wide scale. The implementing agency will provide input to central government, including recommendations as to how central government can improve the national framework within which local governments manage natural resources. This should address the enabling environment or the ‘rules of the game’ within which local governments are afforded the powers to manage specific natural resources. It will likely include input for national regulations, as deemed necessary by Bappenas, and a restructuring of how national government, provinces and districts/cities cooperate and how powers are divided. This may include strategies on how to assist local governments to increase their own-source revenue derived from natural resources. The revenue generating potential of natural resource management is particularly pertinent for central government counterparts and this will form a key part of input to central government. Central government particularly wants to emphasize what is seen as the urgent need to increase locally-generated revenue outside of tax and retribution in an effort to reduce regions’ dependence on balancing funds (primarily DAU).

**Deliverables:** Recommendations for revisions to national legislation and recommendations on improving organisational arrangements (May 2011).  
National level dissemination event (June 2011).

**Reports**

In addition to the above mentioned deliverables the Consultant shall submit an Inception Report (after 3 months), a Mid-term Report (after 8 months) and a Final Report (after 16 months). The Inception Report should include a monitoring and evaluation plan for the activity, details of progress made during the first three months, a comprehensive strategy, including final staffing assignments, for achieving the activity goals during the remaining 15 months of implementation, risks and cooperation arrangements made with other implementing partners. The Mid-term Report should describe progress made thus far and a realistic assessment made of attainment of objectives and detailed plans provide don how the Consultant plans to fully meet the goal and objectives. The Final Report should consist of (at least) firstly, a detailed description of achievements and a description of obstacles in achieving the objectives. Secondly, an assessment made of how the work has thus far contributed to the goal, what has worked and what has not worked. Thirdly, as this is a cross-ministerial initiative the Final Report should include how the work has contributed to cross-ministerial cooperation in the field of natural resource management. Fourthly, recommendations of what further work needs to be done to further contribute towards the activity goal.
V. Implementing Agency Qualifications and Personnel Specifications

The implementing agency will have the following qualifications:

- At least five years experience of delivering quality projects of a similar nature in Indonesia.
- Demonstrated expertise in: natural resource management issues (previous substantial project experience involving one or more natural resources is required); and regional development issues;
- Substantial experience of working with Government of Indonesia institutions dealing with natural resource management; local economic development opportunities and hindrances; and decentralization.
- A strong network of contacts within national and, preferably, regional governments.
- Demonstrated capacity to run an activity of this scale, with the necessary human resources to manage a project of this complexity.
- Substantial experience (five years plus) working with the Government of Indonesia, preferably with Bappenas.
- Substantial experience (five years plus) of organizational analysis and capacity development
- Substantial experience (five years plus) working with local governments, private sector and community representatives.
- Substantial experience (five years plus) in the monitoring and evaluation of projects/activities.
- Demonstrated ability to deliver results within the given timeframe and to be responsive to changing demands from a variety of partners.
- Demonstrated ability to bring to bear on the issues at hand the latest and best comparative thinking and evidence and to demonstrate clearly in recommendations made or options presented that they are so informed.

Personnel specifications required for key positions within implementing agency:

- **Team leader**: At least a Master degree in a relevant subject. Over ten years of work experience in regional development issues in Indonesia, preferably with significant experience in natural resource management at regional levels. Demonstrated grasp of key issues with preference given to those with a relevant publication history. Substantial management experience and demonstrated ability to manage a project of this complexity.
- **Management and organizational development specialist**: At least a Master degree plus at least ten years of experience in developing countries of carrying out management and organizational analyses and designing associated capacity development programmes.
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- **Natural resource experts (3):** Land-based, marine-based resource experts. Experts with backgrounds in developing at least one resource related to plantations, fisheries, tourism or forestry.
- **Environmental specialist:** A specialist with substantial (eight years plus) environmental sustainability expertise.
- **Community development specialist:** A specialist with significant experience (five years plus) in working with community groups and NGOs in Indonesia, preferably with experience in different parts of the country and in dealing with community issues related to natural resources. Preference given to someone with a background in gender issues for development projects.
- **Facilitators (2):** Significant experience (five years plus) in setting up dialogues with local stakeholders and facilitating national and regional events.
- **M&E expert:** Significant experience (five years plus) in M&E for development projects of a similar size.
- **Regional project leaders (2):** Each pilot will have an assigned regional project leader. This individual is expected to have significant experience (five years plus) of coordinating projects in Indonesia.

VI. Reporting Arrangements

The implementing agency will report directly to BAPPENAS and the DSF Executive. Approvals throughout the course of the activity for all deliverables and reports will need to be obtained from nominated individuals from both clients. If approval from one or both clients is declined, the project may be terminated and/or payments suspended.

**Bappenas:** Dr. Himawan Hariyoga, Director of Regional Autonomy, and Dr. Ir. Son Diamar, Special Advisor on Spatial Planning and Maritime Affairs.

**DSF Executive:** The Task Team Leader of the activity, Gregorius D.V. Pattinasarany, and the DSF Program Manager, Peter Blunt.