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ENHANCING GOVERNMENT EFFECTIVENESS IN INDONESIA A STUDY OF THE MINISTRY OF MARINE AFFAIRS AND FISHERIES

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ENHANCING GOVERNMENT EFFECTIVENESS IN INDONESIA A STUDY OF THE MINISTRY OF MARINE AFFAIRS AND FISHERIES



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EXECUTIVE SUMMARY

The Enhancing Government Effectiveness (EGE) Project of the US Agency for International Development (USAID) conducts assessments of organizational performance of select public sector agencies to enhance their capacity to execute their mission and deliver results. Management System International (MSI) is the implementer of the project. At the request of Indonesia's Ministry of Marine Affairs and Fisheries (MMAF), USAID asked the EGE project to conduct an assessment of the ministry. From October 13 to November 7, an EGE project team conducted a comprehensive assessment of MMAF.

The EGE project generally uses 4 levels of analysis in its assessments. Level 1 deals with the governance context of the executive branch; Level 2 addresses horizontal inter-governmental relations; Level 3 focuses on specific public sector agencies; and Level 4 reviews policies and programs of the assessed agencies. In this assessment of MMAF, the project focused mainly on Level 3 and to a lesser extent on levels 2 and 4. In conducting its Level 3 analysis, the EGE team focused on four core ministry functions, namely policymaking, regulation, enforcement, and service delivery.

ORGANIZATIONAL ANALYSIS

MMAF was established under the umbrella of Presidential Decree No.136 in 1999. This decree stipulated the Positions, Tasks, Functions, Organizational Structure, and ministerial governance of MMAF. Under this decree, the Organizational Structure of MMAF is comprised of an Inspectorate General, five (5) Directorates General, and two (2) Centers. To date, MMAF has evolved into nine operating units (five Directorate Generals, three supporting agencies, and the office of Secretary General). As of October 2008, the ministry has around 9,000 personnel, two-thirds of which were based outside Jakarta. This relatively young and sizable ministry continues to face the challenges of coordination and integration with respect to its various DGs and other agencies that are more or less operating autonomously. The challenge of coordination includes its working relationships with other government ministries and agencies because the ministry's mandate overlaps in some ways with these other ministries and agencies.

From an organizational standpoint, MMAF is working to increase transparency and efficiency in allocating and deploying its budget and personnel. There is a need to ensure that recruiting, assignment, and promotions are done more meritocratically. Job evaluations, classifications and grading need to be oriented toward international standards and norms. At the same time, financial planning remains an issue. Budget allocation is established through regulations instead of data-based negotiations.

POLICY EFFECTIVENESS

Policy effectiveness relates to a ministry's ability to develop and define policies that enables it to achieve its goals. This ability is partly contingent on how a ministry is organized to ensure that all information needed for decision-making reaches the policymakers. In this respect, MMAF needs to address how its organizational structure can be better integrated.

Policy effectiveness requires a shared vision across operating units. MMAF needs to build a strong shared vision that recognizes how its different parts can operate more effectively as one ministry. For example: MMAF has two DGs that are focused on resource extraction and exports even as one DG is focused on resource conservation and another DG on resource protection. As a result, the ministry has policy gaps dealing with the different operations of these DGs. Other policy gaps also persist between MMAF and other ministries that affect the development of the marine affairs and fisheries sector. For example, MMAF's role in issuing fishing licenses overlaps with the Ministry of Transportation's role in issuing vessel licenses; MMAF's work in promoting economic development of marine, coastal and small islands

overlaps with the work of other Ministries and agencies involved in subsidizing shipping routes and providing training programs in the islands. In addition, there are continuing policy gaps between MMAF and local governments regarding roles and responsibilities for coastal activities.

The establishment of the Bureau of Law and Organization under the Office of the Secretary-General represents a potentially positive step to help manage the policy process, and improve policy coordination within MMAF. This Bureau could analyze policies prepared by various units within MMAF, as well as policies emanating from other Ministries and agencies that affect the operations of MMAF.

REGULATORY EFFECTIVENESS

Regulatory effectiveness deals with a ministry's ability to adjust and advance policies to ensure that policy goals are met. In MMAF, the various DGs are tasked to formulate their respective regulations. Their ability to do so, however, is hampered by a lack of capacity to generate accurate data and analyze them appropriately. For example, in the DG of Capture Fisheries, its regulatory work is done through licensing, setting of fees and application of fines. Problems can occur when customers seek to circumvent these fees and fines. The growing problem of IUU (illegal, unregulated, and unreported fishing), the high number of fake deletion certificates, and the sharp drop in non-tax revenues from licensing suggest that the DG's regulatory capacity is challenged. MMAF regulatory capacity is affected by data deficiencies in relation to accurately estimating fishing stocks and determining total allowable catch. MMAF regulation is also challenged with respect to its work with local governments. Some regulations seem to provide inadequate guidance for local authorities.

Other areas of regulatory work are those conducted by the DG of Processing and Marketing and the DG of Marine, Coastal, and Small Islands. The DG of Processing and Marketing issues health certification for fish processing plants, ensures fishery product compliance with international standards, and is also responsible for market penetration and expansion. Meanwhile, the DG of Marine, Coastal, and Small Islands is responsible for zoning authority and permit issuance related to coastal conservation. Both types of regulatory work require enhancing the capacity of these and other DGs of the Ministry.

ENFORCEMENT EFFECTIVENESS

Enforcement effectiveness concerns the ministry's capability to make its policies and regulations stick. Enforcement involves detection, investigation, and prosecution of violations of policies and regulations. At present, IUU is the biggest enforcement challenge of the Ministry. The ministry deals essentially with violations in three areas: fishing vessel procurement and registration, fisheries licensing, and operation of fishing vessels.

IUU violations are a growing problem. In 2005, MMAF suspended issuance of licenses to foreign vessels. In 2007, a revision was made that licenses can be issued if foreign owners have foreign direct investments (FDI) in fishery sector. However, this policy is being circumvented by foreign vessels registering under false pretext as being Indonesian-owned. Thus, the FDI policy has not been effective at reducing IUU even as it has resulted in the reduction of the revenue intake of MMAF (since foreign vessels pay higher registration fees).

Despite increased violations, data shows that only small portion of offenders have been taken to court. The existence of only 5 courts serving the entire archipelago and the limited number of patrol vessels and investigators in MMAF, combine to make it difficult to apply the full force of the law. Nevertheless, the establishment of these 5 Fisheries Courts is an important step that needs to be improved by field studies and comprehensive analyses, in coordination with other relevant ministries in the fields of law and justice. This will also involve working with the Supreme Court (MA) in revising the Fisheries Law and related laws and policies. In addition, cooperation will be needed between MMAF and the Supreme Court in capacity building of candidates for ad hoc judges who will have jurisdiction over fisheries cases. This

process will require significant attention because the formulation and amendments of laws and policies, as well as the conduct of training programs, entail considerable bureaucratic and legislative actions.

SERVICE DELIVERY EFFECTIVENESS

Service delivery effectiveness relates to a ministry's direct transactions with its citizen-customers. This may be face-to-face transactions or e-government exchanges. Each of the DGs of MMAF and its other agencies perform a wide variety of services. Several DGs (notably Capture Fisheries and Aquaculture) issue licenses and permits. The DG of Processing and Marketing assists fishing enterprises in market research and export promotion. The DG of Marine, Coastal and Small Islands works with local governments to balance the development of peripheral areas. For its part, the Human Resource agency have as their customers the participants and students of its training activities.

Service delivery effectiveness is not just about external customers, but also internal customers of the Ministry. The work of each of the DGs has a cross-cutting effect on other DGs. This includes the Research Agency whose findings and analysis can be of great value to other DGs.

In many ways, MMAF can improve its service delivery by increasing its focus on the feedback and preferences of its external and internal customers. Ways and means to solicit this feedback and understand intensity preferences need to be employed, and findings need to be integrated in planning and implementation of ministry activities.

EXTERNAL RELATIONS

Ministries are not islands of activities. Like many ministries, the work of MMAF overlaps with areas of responsibility of other ministries and agencies. MMAF faces major coordination issues with five other agencies in three key areas.

With respect to *fishing vessels' control and registration*, MMAF has shared authorities and activities with the DG of Sea Transportation of the Ministry of Transportation (DGST-MOT). The MOT is responsible for licensing vessels (including fishing ships), while MMAF is responsible for fishing licenses, fishing gear, fish catch, and transport of catch. Shared authorities also include the work of the Harbor Master, where the MOT's Harbor Master role overlaps with MMAF's Fishery Harbor Master.

Concerning *passenger marine transport services*, the issue concerns the need for greater MMAF involvement in the determination of inter-island shipping and transport routes because this matter affects one of MMAF's objectives – helping contribute to the development of remote and small islands. This issue entails the need for greater MMAF cooperation with the Fiscal Agency of the Ministry of Finance (which provides subsidies for inter-island shipping), the Directorate of Transportation of the National Development Planning Agency (which is responsible for recommending the routes to be given subsidies and incentives), and *PT. Pelayaran Nasional Indonesia* (PT. PELNI, the state shipping company which plies the passenger and cargo ships). In this regard, MMAF, through the DG of Marine, Coasts, and Small Islands, established a cooperative relationship with PT. PELNI in 2005, which continued up to 2008.

Regarding *education and training*, MMAF and the Research and Development Agency of the Ministry of National Education have shared responsibilities and authorities. Both conduct education and training activities for and in remote and small islands. However, there is little coordination between the two agencies, and this has resulted in training programs that are not adequately responsive to the needs of small and remote islands.

RECOMMENDATIONS

Based on the foregoing analysis, the EGE team recommends that MMAF consider various suggestions on how it can improve its organizational structure and how it can enhance the effectiveness of its

policymaking, regulatory, enforcement, and service delivery functions. In this regard, the EGE team makes the following suggestions:

1. Consider reinforcing the service delivery mission of the ministry and strengthening the service orientation of MMAF DGs and sub-operating units. This could be done by facilitating an in-depth review of MMAF public services, identifying gaps between present performance and citizen preferences, conducting a ‘service improvement training’ for staff, and running periodic customer satisfaction surveys. The professional development of MMAF staff could be done internally by external consultants or through study in local and international training institutions.
2. Consider enhancing the effectiveness and efficiency of the ministry through organizational clustering by incorporating DGs into three major Groups – Fisheries, Marine Services, and Enforcement. Each Group could have a secretariat composed of personnel from the DGs that will work on joint strategies, budgets, and work plans for the DGs.
3. Consider establishing geographical desks that could enable MMAF to be more accessible and more responsive to its citizen-customers.
4. Consider strengthening the Bureau of Planning in the Office of the Secretary General to serve as a more effective policy-planning unit that would focus on ensuring policy suitability and credibility.
5. Consider improving the public relation, public outreach, and public education functions of MMAF through the use of various media such as the Internet, billboards, television shows, etc. This social advertising could seek to raise public awareness, gain greater public acceptance of the issues, and foster broader citizen participation in marine resource management.
6. Consider linking the work of the Research Agency more directly with other MMAF ongoing programs so that research is demand-driven based on the feedback of MMAF’s operating units.
7. Consider expanding fisheries extension functions, focusing on coastal, small islands, and aquaculture production. This may require MMAF to expand and extend its services and communication to fishing communities in remote islands.
8. Consider making the staff of Inspector General as full time professionals instead of rotating them to other departments. This will allow the staff to specialize and continually upgrade their knowledge and skills.
9. Consider establishing a results-based performance management system. This could start small and focused, beginning with key services provided by the ministry, i.e. issuance of fishing licenses and health certifications for fish processing firms.
10. Consider making the making the budget a more effective management tool by facilitating a transition from output to outcome budgeting and developing performance measures for Ministry goals and outcomes.
11. Consider establishing a regulatory reform program that would assess and adjust the Ministry’s regulations to ensure they are consonant with policies and intended impacts.
12. Consider strengthening the Law Enforcement staff in the DG of Surveillance and Control through a capacity-building program for investigators and establishing a comprehensive case management system. This could include reviewing the effectiveness of 5 fisheries courts that handle cases on fishing violations.

13. Consider the development of a “Community Fisheries” programs, building on ideas being considered by the Ministry related to “a community-based fisheries surveillance system”. This “community fisheries enforcement program” could be complemented by increased strategic targeting of MMAF’s patrol fleet.
14. Consider amending Law No. 31/2004 (Fisheries Act) in relation to Law No. 17/2008 (Shipping Act) to address overlapping jurisdictions with the Ministry of Transport. This could include clarifying the role of the Harbor Master (HM).
15. Consider establishing or strengthening Memorandums of Understanding (MOU) with the Fiscal Agency, Ministry of Finance (FA-MOF); the Directorate of Transportation, Agency for National Development Planning (DT-Bappenas); and *PT. Pelayaran Nasional Indonesia* (PT. PELNI) to enable MMAF to provide more effective guidance to these different agencies on improving marine transport services that could help enhance economic development of remote and small islands.
16. Consider drafting a Memorandum of Understanding (MOU) between MMAF and the Research and Development Agency of the Ministry of National Education to establish coordination mechanisms in designing and delivering customized education and demand-driven training for small and remote islands.

The above suggestions may be considered as the bases for a capacity-building program for MMAF. We describe in this report a proposed prioritization and sequencing of these recommendations. We also provide illustrative benchmarks and indicators that can be used in measuring the implementation and results of this program.

I. INTRODUCTION

The Enhancing Government Effectiveness (EGE) Project of the US Agency for International Development (USAID) conducted an assessment of the Ministry of Marine Affairs and Fisheries (MMAF) from October 13 to November 7, 2008. The team was composed of international and national public sector management specialists as well as marine and fishery sector specialists. The international consultants included Emil Bolongaita, David Garner, Hilton Root, and Stacey Tighe. The national consultants were Tri Achmadi and Zulficar Mochtar. Research assistance was provided by Kornelius Yap. Over a four-week period, the team met with various officials and staff in the Ministry's five Directorate Generals (DGs), two agencies, and the Secretariat-General. The team also met with officials and staff of other government ministries as well as with various stakeholders, including representatives of multilateral and bilateral donor agencies and international and local non-governmental organizations.

The EGE Project is being implemented by Management Systems International (MSI). The project seeks to assist USAID in helping address the lack of country- and organization-specific research on the causes and explanations of ineffective public sector performance. The reports of the project are intended to help USAID develop better strategies and activities to improve public sector management of its government counterparts. At the same time, the reports also seek to assist government counterparts with their own efforts at enhancing capacity and organizational performance.

The scope of work of the EGE project's assessment of MMAF was developed primarily by the ministry, with inputs and suggestions from USAID/Jakarta and the EGE team (see Annex for the Scope of Work). To implement the SOW, the EGE team applied its framework of analysis, as discussed in the following section.

The format of this report is as follows:

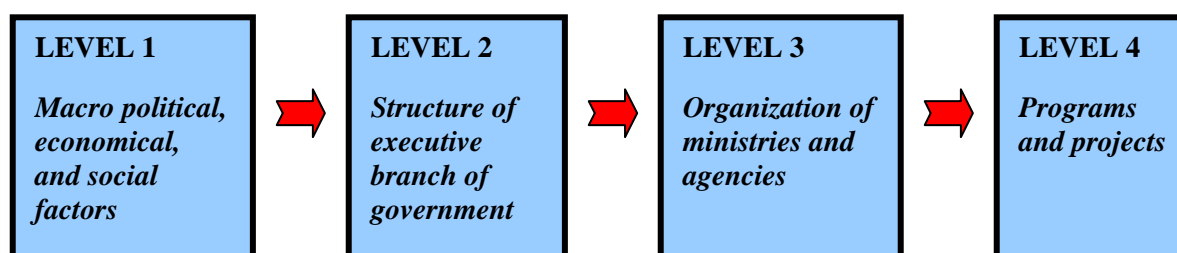
- Section 2 discusses the EGE framework of analysis used in the assessment.
- Section 3 briefly describes the origins and context of the ministry.
- Section 4 analyzes the organizational structure of the ministry and makes observations on organizational strengthening.
- Sections 5 to 8 examine the ministry's four major functional areas (policy, regulation, enforcement, and service delivery) and suggest possible strategies for enhancing effectiveness.
- Section 9 looks at three areas of MMAF's overlapping jurisdiction with other government ministries and suggests alternatives for improving coordination.
- Section 10 presents the full range of the EGE team's recommendations and suggestions on how MMAF can become more effective.

II. ENHANCING MINISTRY EFFECTIVENESS: A FRAMEWORK FOR ANALYSIS

The EGE project has developed an analytical framework to conduct its assessments of governments and ministries. The framework applies four levels of analysis to understand and deal with the factors that shape the performance and behaviour of governments (see Figure 1 below). The first level deals with the macro political, economic, and social forces that shape the nature and decisions of a government's ruling coalition. The second level concerns the structure of the executive branch of government, how it is organized, and how it operates relative to other branches of government. The third level focuses on particular government ministries and agencies, looking at each organization's major functional areas in

policy, regulation, enforcement, and service delivery. The fourth level deals with the programs and projects of ministries and assesses their efficacy towards achieving ministry goals and objectives.

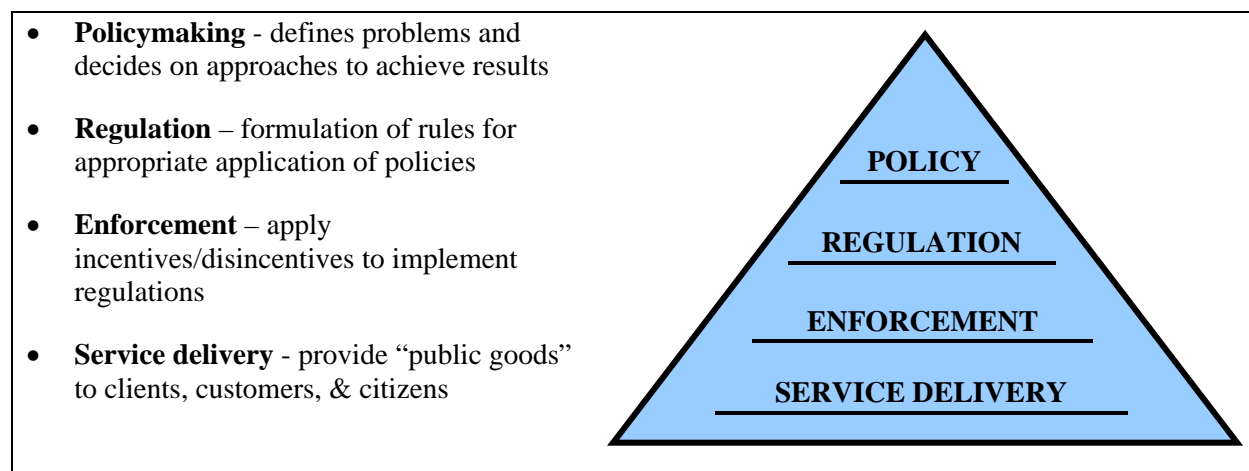
Figure 1: Four Levels of Analysis in the EGE Framework



In this assessment of MMAF, the EGE team has focused on level 3, and to a lesser extent on levels 2 and 4. The reason for this focus was determined in part by the preferences of the Ministry. In this regard, the analysis focused on the four core functions of ministries: policymaking, regulation, enforcement, and service delivery.¹ Policymaking deals with the definition and prioritization of problems to be tackled by the ministry, and the consequent plans and strategies to resolve them. Regulation concerns the appropriate application of policies and rules, calibrating them as needed according to changing circumstances to ensure the achievement of policy goals. Enforcement seeks to ensure the implementation of policies and regulation by providing incentives and disincentives among regulated entities. Service delivery involves the front-line services of the ministry that deal with the needs of citizens and customers.

These four core functions of a ministry or department may be illustrated as follows:

Figure 2: The Core Functions of Government Ministries



In this model, policymaking is the apex of a ministry’s function. This is the principal responsibility of the minister and his or her key advisers. As such, this work directly involves only a small group. The regulatory work could involve a bigger group of people. The actual number and size of regulatory units depend on the nature of policies and the data and analytical requirements needed for effective and efficient regulation. Typically, enforcement and service delivery functions in ministries are more sizable

¹ See David Osborne and Ted Gaebler, *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Plume: 1993.

in terms of personnel and scope than the other two functional areas. These functions entail direct engagement with clients and customers.

The Functional Effectiveness of Government Ministries

Ministry effectiveness in governments across different countries is shaped in part by the degree of fit and alignment among the four functional areas. Ministry effectiveness is a result of how well policies are applied through regulations, how credible and capable enforcement mechanisms are, and how responsive services are to the needs of citizens and customers. In short, to be effective, a Ministry's operational chain from policy to regulation to enforcement and ultimately to service delivery all need to cascade and reinforce each other.

Part of the reason why many ministries are ineffective is due to the lack of cascading effect among the four functional areas, i.e. regulation is not aligned with policy, enforcement is patchy or selective, and service delivery is not linked with customer needs and preferences. In many cases, the problems stem from a lack of separation between and among the functional units, or the absence of checks and balances. Insufficient separation of functions can create conflicts of interest and lack of accountability, especially between policymakers and regulators, and between regulators and enforcers. In some cases, it can be difficult to keep policymakers and regulators focused on their respective goals if, for example, they are one and the same unit. The same is true with respect to regulators and enforcers. An absence of separation between regulators and enforcers can obfuscate accountability, and result in poor performance.

To be sure, conflicts of interests and issues of accountability, by themselves, are not problematic, provided that the conflicts and issues are expressly recognized and sufficient safeguards are established. A key challenge is the strengthening of respective functional areas to ensure definitional clarity of problems and goals, refining and reinforcing regulations, applying consequences for performance, and continuously improving services.

To understand MMAF's performance and operations according to these four functional areas, the EGE team developed guide questions that its team members used to analyse the Ministry its various DGs and offices (see Annex for copy of questionnaire).

III. THE MINISTRY OF MARINE AFFAIRS AND FISHERIES: ORIGINS AND CONTEXT

The Ministry of Marine Affairs and Fisheries was established by Presidential decree (*Keppres* No.136/1999) in 1999 by then President Abdurrahman Wahid. Fisheries management formerly had been part of the Ministry of Agriculture. The newly formed ministry, however, was given a broader set of responsibilities than what had previously been allocated to fisheries within the Ministry of Agriculture. The additional set of functions related to the system of decentralized resource management under the first Law on local government (Law 22/1999) in 1999. This law was designed to increase democracy and local capacity, enhance social prosperity, and foster public participation.

The need to reverse a pattern of making economic growth dependent on natural resource extraction also drove the creation of the new ministry. This effort at reversal was undertaken by the respected first minister, Sarwono Kusumaatmadja. Recognition that reliance on non-renewable resources could not be sustained indefinitely led to the new ministry's other mandates: (i) to promote economic growth in the context of sustainable development, (ii) to establish links between environmental preservation and utilization and, finally, (iii) to reconcile environmentally sound growth while pursuing poverty

alleviation. Thus, the ministry's mandates represented a significant departure from what had been considered mainstream development by previous Indonesian policy planners. It reflected the view that reconciling development and environment would require new institutions and innovation.

The operating environment of MMAF is increasingly complex. Indonesia has 6.7 million marine and freshwater fishers and dependents spread over 7,000 coastal villages. As discussed in this report, district-level officials have inadequate tools for implementation and coordination with the central government. Significant changes are needed to strengthen the reporting structures of the civil servants posted to local governments. Many jurisdictional conflicts with other ministries such as Transportation and Forestry have not been resolved.

Since the ministry was created, it has made good progress towards its primary goals. But among the continuing challenges MMAF faces is the need to reduce reliance on '*maximum sustainable yield*' as a principle measure of outcome. Assuming that data and analysis are scientifically tenable, MMAF still has no management strategy in place for what to do if *maximum sustainable yield* is reached. Artisanal fishing is persistently underreported, for example, yet it continues to be responsible for a large component of Indonesia's tuna catch. Moreover, measures of the total allowable catch ignore illegal fishing.² The surveillance and regulation of offshore fisheries has been unable to prevent the persistence of destructive long-lining and trawl fishing practices.³

MMAF's role as the leader and caretaker of the marine and fishery sector is made more challenging by globalization. Although globalization has significantly increased the value of Indonesia's fish exports (annual estimated exports reached \$2.3 billion in 2007), the costs and benefits have not been dispersed to the greater population. Many fishing communities live in abject poverty while entrepreneurs and middlemen have enjoyed great opportunities. Clearly, an effective role in reducing poverty continues to elude the ministry. There is also an increasing pessimism about the government's ability to prevent illegal, unreported, and unregulated fishing (IUU). While many experts anticipate more marine eco-catastrophes, the public is poorly informed about these destructive trends. The ministry needs enhanced ability to inform the public and win greater support for its policies and programs.

Observers of the ministry say that after ten years, the ministry has yet to change its licensing protocol to make it more business friendly. The country needs a new deep water fleet, for example, but limited progress has been made to improve the stock of boats. One interesting new idea involves the use of collective collateral for expanding the fishing fleets. Another frequently heard comment is the need to build a more dynamic business model for expanded aquaculture. While praised for its business-sensitive approach, the Ministry's DG of Processing and Marketing could be better integrated into other activities of MMAF. The ministry could also rethink its operations in terms of licensing and managing projects, linking them more broadly and directly to ways that expand business and further grow the real economy. Finance is another gap, where the ministry could play a larger role by developing a better financing model to support expanded aquaculture production. Hiring extension workers on an annual basis as a temporary bridge between government and farmers in aquaculture has also been suggested. MMAF needs to develop mechanisms to facilitate partnerships between farmers and fisher people and among traders, exporters and merchants. Aqua cultivators need stronger collective representation and better

² Some key officials in MMAF believe that MMAF should not be responsible for illegal fishing and that the creation of a separate coast guard combining all surveillance functions would make it easier for the Ministry to address its core objectives. Other officials in MMAF, however, believe that IUU should continue to be among the highest priorities of the ministry, if not the highest.

³ Loopholes in licensing permit large shipping vessels to be registered in small villages under fictive owners when in fact the real owner and crew may be foreign. Rumors circulate of ships arraigned for lack of proper licensing that several days later acquire the necessary papers in order to be released from custody. A holder of X number licenses may use fraudulent duplications to manage a far larger number of vessels.

communication systems. In addition, MMAF needs to find ways to increase the flow of credit to the marine sector, perhaps by acting as a guarantor of last resort and by pre-qualifying potential loan recipients. For example, it could guarantee the purchase of output from newly developed aqua fisheries. In short, there is much the ministry could do to inject a stronger business orientation into its activities, and to integrate the marketing sector with other core ministry activities.

The Ministry could also learn from efforts of Australia, New Zealand, North America and Europe to move towards sustainable fisheries development. The Ministry could become a leader in advocating more effective regional integration. Many of Indonesia's vulnerabilities can only be addressed at a regional level. A regional plan of action has been developed to reduce illegal fishing, but it seems too early to tell if it is working effectively at countering IUU. Regional efforts in controlling licensing could also be considered.

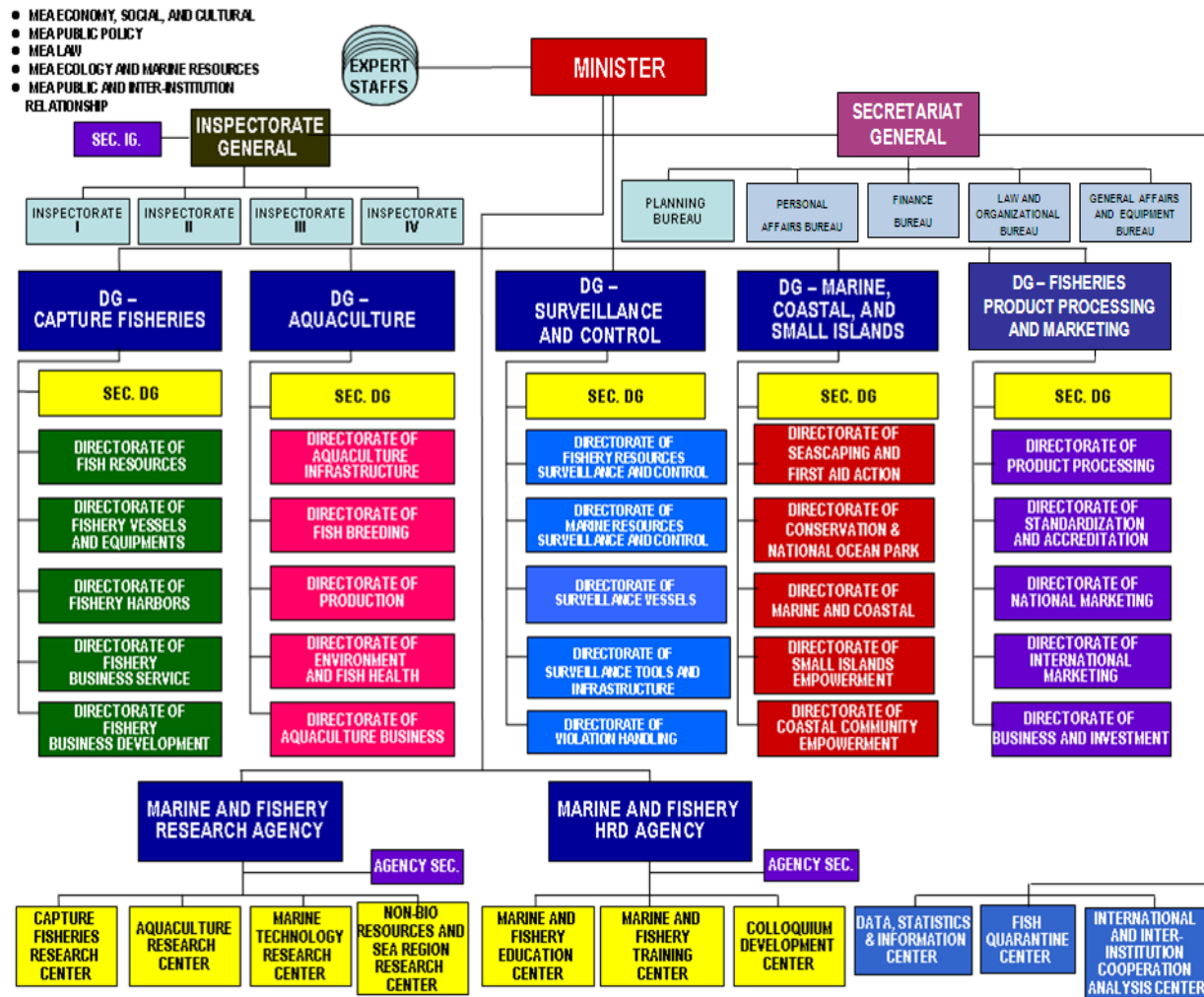
To increase welfare and prosperity while achieving sustainable development strategies, MMAF needs to develop a reform program that identifies key areas where interventions can be made that will provide positive multipliers for the ministry's programs. The following sections present an organizational analysis of MMAF and a review of its effectiveness along the four functional areas of policy, regulation, enforcement and service delivery.

IV. AN ORGANIZATIONAL ANALYSIS OF MMAF

The vision of MMAF is to conduct "the sustainable management of marine and fisheries resources to serve the prosperity of the entire country" Its mission is "to improve the welfare and prosperity of fishing communities, fisheries farmers, and coastal communities." To carry out this mission, the Ministry is structured into nine Echelon I units. These various units include the office of the Secretary General, five (5) Directorate Generals (DGs), two (2) supporting agencies, and the office of the Inspectorate General. The five DGs include (i) DG of Capture Fisheries, (ii) DG of Aquaculture, (iii) DG of Processing and Marketing, (iv) DG of Marine, Coastal, and Small Islands, and (v) DG of Surveillance and Control. The two supporting units are (vi) the Research Agency, and (vii) the Human Resource Development Agency. MMAF also has five (5) Minister Advisors who are officially part of the organization of the Ministry.⁴ Figure 3, below, shows the nine primary units that constitute the current core structure of MMAF, as well as the five Advisors.

⁴ The position of Minister Advisors is covered by Law No. PER.07/MEN/2005, as revised by Ministerial law No. PER.04/MEN/2009.

Figure 3: Organigram of MMAF⁵



As of October 2008, the Ministry has a total of slightly more than 9,100 staff. Since it was established nine years ago, MMAF has added on average between 500 and 1,000 new staff per year. This pattern continues as MMAF expects to add slightly more than 700 new staff in 2009. Thus by the end of next year the Ministry will have nearly 10,000 staff. Of these staff, approximately 3,000 are located in Jakarta, and slightly more than 6,000 are scattered across the archipelago.

In terms of staff qualifications, MMAF has approximately 85 PhDs, more than 700 staff have Master's degrees, and about 2,600 employees have graduated with a Bachelor's Degree. This means that about 38% of MMAF staff (around 3,500) have a university education or higher, while about 60% are high school graduates, or have less formal education than high school.

⁵ Since the completion of the EGE study in November of 2008, MMAF determined that the Secretary General should be styled as the Secretariat General; the Employment Bureau is revised to be the Personal Affairs Bureau; the Financial Bureau is revised to be the Finance Bureau; the Law and Organizational Affairs Bureau is revised to become the Law and Organizational Bureau, the Procurement and General Affairs Bureau is revised to be the General Affairs and Equipment Bureau, and the DG of Fish Processing and Marketing is revised to become the DG of Fisheries Product Processing and Marketing.

The organigram above shows all units reporting directly to the Minister. The Secretary General is classed as “first among equals” but does not function as a Deputy Minister, nor does he have authority to direct the work of the various DGs, or other MMAF agencies. In effect, the various units function almost as semi-autonomous entities, often with limited reference to other units of the Ministry. In some cases, some of them seem to echo the old Ministries from which they were transferred when MMAF was established circa 1999.

As background, Table 1 below shows the size of the various DGs and other MMAF Agencies, together with the staff assigned to each unit, and their annual budgets for 2008.

Table 1: Staff and Budgets for Components of MMAF

MMAF Offices	Staff	% of staff	Budget (Rph mil)	% of budget
Secretariat General	1611	18	327,649	11%
Inspector-General	211	2	30,858	1%
DG of Capture Fisheries	1588	17	744,246	25%
DG of Aquaculture	1423	16	523,300	17%
DG of Processing and Marketing	378	4	215,074	7%
DG of Marine, Coastal and Small Islands	343	4	536,214	18%
DG of Surveillance and Control	620	7	268,792	9%
Agency for Research	1183	13	137,925	5%
Agency for Human Resource Development	1751	19	235,081	8%
TOTAL	9108		3,019,139	100%

Source: MMAF.

Although the Secretary General has a mission “to provide guidance and support for the implementation of the Ministry’s administration,” there is a concern that various DGs and other units of the Ministry have different agendas that need to be better integrated towards the ministry’s goals and objectives. Because of the current structure of the Ministry, and as a consequence of the relative autonomy of the various units that compose it, many MMAF policies and programs seem to be formulated by the component parts of the Ministry, without sufficient reference to overall MMAF requirements. Sometimes policies for one DG seem to be made with little linkage to the needs of other DGs, or other administrative units. From the standpoint of MMAF, optimizing the arrangements and tools within the current organizational structure to achieve its vision, mission and objectives is preferable to reorganization, because of the costs and potential inefficiencies associated with reorganization.

Many of the constraints the ministry faces derive from the general administrative structures from which it evolved. A broad consensus emerged after the fall of the New Order regime that democratic consolidation required civil service reform at all levels of government. However, many of the features of the older system are still visible today. Reform has been attempted mostly through the modification of human resource management, leaving the incentive structures, and the performance and financing protocols, without significant modifications. At present, three State agencies, namely the Ministry of State Apparatus Reform (MenPAN), the National Civil Service Agency (BKN) and the Institute of National Administration (LAN), share the central management of public administration and civil service.

Two types of civil service systems coexist in Indonesia according to Law No. 43 of 1999: *structural* and *functional*. Under the law, structural positions have four echelons and 17 ranks. These positions are more dominant than the functional positions because they offer greater opportunities for mobility and remuneration. The entry point for structural careers is determined by formal examination and certified levels of training. Promotion is based on seniority, although training completed while in service can boost an official's promotion prospects. Lateral entry is rare, and positions are allocated via management discretion. Venues for competition among applicants are limited. Many of these patterns have a military origin and reflect the strong military influence on state making during the Suharto period.

Most specialists on civil service reform advocate the termination of the military style system in favor of one in which professional classification and performance determine career outcomes. To recruit and maintain highly qualified mid-career personnel, the civil service could transform itself into an organization based on professional skills that allow the monitoring of performance and conformity with professional standards. In MMAF, as with other Indonesian ministries, job evaluations, classifications and grading fall below international standards and norms. Reformers have advocated a more functional orientation and a reduction of structural positions so that career advancement prospects are unified for all groups. Only after jobs are classified professionally can candidates be selected professionally. Such professional classifications could also impede the buying and selling of positions.

A transition towards a position-based system in which officials are recruited through a system of open competition for professionally classified positions would be optimal. Positions would be based on the specific professional requirements of the task at hand. Training would focus on technical competency and job specificity. A system of professional classification would be a source of greater transparency and accountability and it would foster a more professional work ethos. A system predicated on professional skills and on performance would attract qualified public servants rather than the current system where candidates are attracted to the security of accessing informal gains through a closed system.

Civil service management is divided among several entities. As noted above, no single body at the central government level has overall supervisory authority for the entire system. This division of authority at the top weakens prospects for cohesive system-wide reform. It also constrains MMAF's ability to embark on reforms in human resource management.

In addition, the role of the budget in MMAF is similarly constrained. Historically, budgeting was divided between development and routine components. Expenditure caps were generally established through administrative regulations rather than through budgetary discipline or negotiation. Budgets were also based on an administrative formula that determined positions and liabilities as well as overall size. Under these circumstances the budget is not an effective tool for improving effectiveness or accountability. This constitutes a significant handicap towards performance-based management.

These patterns were challenged by Law No. 17 on State Finance. It consolidated the budget, unifying routine and developmental components. The law called for an integrated medium-term expenditure framework based upon performance evaluation of budgetary outcomes. Common standards for public sector accounting were also mandated. These were further strengthened by Law No. 1 of 2004 on State Treasury which outlined rules for budget management and financial planning, debt, and property management. The objective was a single consolidated treasury account for the entire government, and the eventual introduction of accrual accounting.

Based upon these regulations, a legal basis for modern public expenditure management already exists in Indonesia. However, the new laws do not provide necessary details for implementation. In MMAF, for example, the current practice is still based on one year planning and not the three to five year frameworks envisioned by the laws. Interviewees told the EGE team that their training in the new provisions of the

law is inadequate. Further, the capacities of different levels of government vary widely. At the local levels, for example, accounting skills are still very weak.

Moreover, although multiyear budgeting has been introduced, it remains a learning-by-doing process. A major hindrance is that ministries cannot roll-over funds, which is the core of a multiyear system. A number of public sector management specialists have recommended the old 5-year plan be abandoned in favor of the medium term integration between budget and planning. They also insist on the importance of allowing ministries to keep the surplus that result from a previous year's economizing. This would allow better planning at the ministry level.

It appears that staff allocations in MMAF may not fully be a function of describing the tasks or workload of the various DGs. Both MenPAN and BKN determine the recruitment into the Ministry but the DGs along with the Inspector General determine promotions within the ministry. Moreover, it is not clear what the division is supposed to be between recruitment, promotion, and the disciplinary roles of MMAF and MenPAN. MMAF seems to hire, for example, but MenPAN determines the numbers. The EGE team understands that allocations must be approved by MenPAN, and that allocations are not directly linked to the budget process. Yet the law on state finance envisions a process where allocations are driven by needs, which are determined by budget indicators and performance standards.

Among the principal impediments to a performance-based system in MMAF is the perpetuation of antiquated administrative policies that are conducted without sensitivity to budgetary implications. This failure to use the budget to ensure performance deprives managers of their most effective tool for improving general accountability. Another deep systemic problem is the failure to establish nationwide norms of competency. At the local level, ethnic, religious, and political influences all encroach on administrative objectivity.

In addition, MenPAN has established standards of departmental symmetry that do not reflect operational costs, workloads, or efficiencies. Protocol requires that a certain number of structural positions exist on each level. A unit headed by an echelon I official, for example, is required to oversee four echelon IIs, 16 echelon IIIs and 64 echelon IVs. The end result is that a single unit of government typically must include at least 600 posts regardless of its mission. This greatly reduces the ability of MMAF to allocate staff according to needs and costs. MenPAN must approve any internal reorganization and would generally insist that standard patterns of symmetry be recreated in every unit. The Ministry of Home Affairs also has authority to dictate the number of organizational units at the local level. Every DG currently constitutes a pyramid which introduces considerable redundancy in skill sets. Thus many institutional constraints exist that interfere with effective, cost efficient governance.

MMAF, like other government agencies, also employs many contract workers funded through a variety of diverse funds. The EGE team was not able to obtain an estimate of how many workers are contracted by MMAF under such arrangements, but the number seems sizeable. Regional autonomy has created many opportunities for district governments to hire under such schemes. These irregular patterns could be made more transparent. At present contract staff seek permanent employment status similar to that of the career civil service. A more attractive alternative might be to establish job classifications and fill those positions based on the criteria of measurable conformity with the job description. Addressing this problem may be urgent as it was reported that the DG of Aquaculture alone employs 2,680 contract workers.

The current system of job remuneration also involves many non-transparent allowances that are project or program specific. On the bright side take home pay for public officials generally ends up being higher than published pay levels. But the components of the current remuneration system are barriers to transparency and might be addressed by being consolidated into a single budget. Comprehensive budget reform might aim at eliminating off-budget funding of agency activities. Many activities appear to be funded from revenues that are not shown in the budget. Such revenues have many uses, from paying

honoraria to staff to funding routine expenses such as energy, transport, and communication. The existence of office slush funds makes it possible for a parallel system of remuneration and authority to exist within a particular DG. Two examples sometimes mentioned are subsidized lunches and free transportation from work on vehicles operated by MMAF.

SUMMARY OF SURVEYS ON CIVIL SERVICE ISSUES

The EGE team conducted an informal survey of key aspects of the civil service in MMAF. Four areas were reviewed: appraisals of employees, oversight of programs, public outreach, and the budget process. The data from these surveys are *qualitative* and the respondents were not representative of the personnel of the ministry.⁶ The assessment here are, thus, suggestive, and do not necessarily reflect the full picture.

Employee Appraisals

Employees interviewed said they never receive rewards for good performance. They also said that there were no penalties for non-performance. There are annual appraisals but they are not focused on results. The criteria reportedly include ratings by administrative superiors of their subordinates' discipline, loyalty, skill, leadership, and honesty. In other words, the performance assessment is based not on meeting targets but on assessments of character. We were told that a poor assessment would not affect salary, only promotion. It was reported that only one person a year is fired for non-performance.

Notably, there is a consolidated Human Resource Management Information System that contains the records of all employees. We heard that the information it contained was reliable, including the CV of every employee, updated records of training, the dates when salary increments were introduced, performance evaluations, and retirement dates.

Oversight of Programs

Staff reported that implementation of programs in the DGs are not evaluated. There did not seem to be formal system of evaluating programs or projects within DGs. If a program or project is found to be unsatisfactory it is not clear if the manager is asked to explain the causes of poor performance. The performance of a program/project rarely affects the performance appraisal of the manager. However, it was reported that remedial steps are generally taken to improve program/project performance.

Public Outreach

Staff in various DGs reported that they get feedback on the quality of services provided to the public. Many staff said their offices meet regularly with user groups and with the public. Staff also reported a willingness to take actions to address complaints from the public including disciplinary measures concerning personnel who are targets of grievances. However, staff reported that their department was not up to date on best practices relating to their field. Most welcomed more information and training for their professional development.

The Budget Process

The budget of MMAF units is prepared mainly on the basis of the previous year's budget plus a small increment. The budget negotiation within the ministry provides few incentives to improve effectiveness. The DGs reported that in general the physical outputs of their units were not measured and evaluated

⁶ In its comments on this report, MMAF points out that the interviews were subjective, and do not include information about the respondents' background, or the interview methods that were used. For these reasons, it questions whether the opinions expressed are significantly representative. The Ministry notes, however, that the findings will be used as inputs for future planning discussions in policy meetings at the Ministry.

against the expenditure incurred. The Secretariat General may not have sufficient data that succinctly identified realistic policy options in the context of their fiscal implications. This gap is something that could be addressed by strengthening the Bureau of Planning.⁷

In view of the above governance and operating environment of MMAF, there are a number of organizational measures that could be considered for improved ministry performance.

Some MMAF Organizational Aspects that Merit Consideration

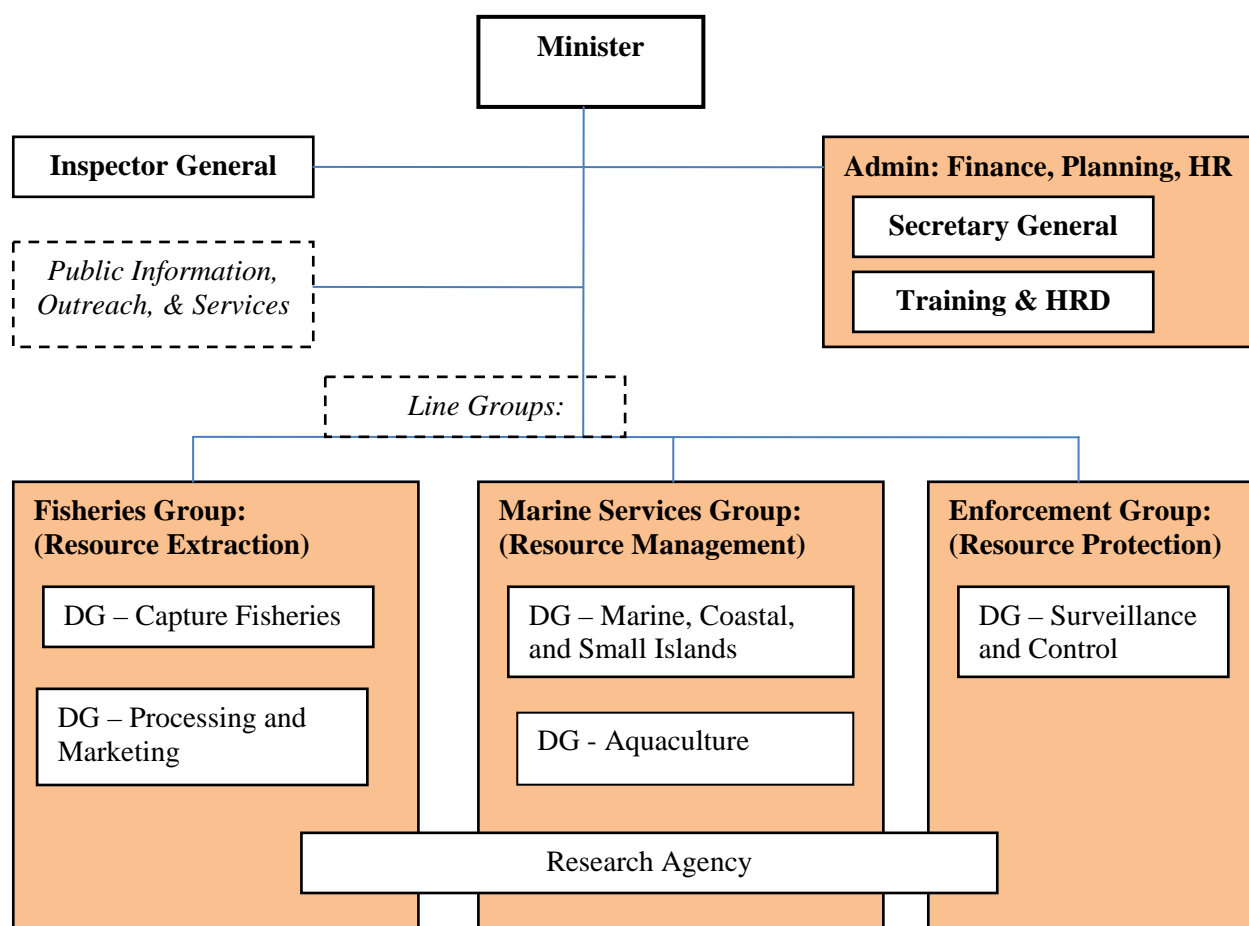
1) Organizational clustering for more cohesive performance

Although MMAF cannot change the number of DGs, or adjust the roles of other core units of the Ministry, the Ministry could make certain administrative adjustments that might enhance overall MMAF effectiveness. One such mechanism, for example, could involve *clustering* individual DGs into larger working Groups. Under such administrative arrangements, individual DGs would still remain under the authority of a designated Director General. There should be no need to “merge” units in order to informally establish larger “Working Groups” or “Clusters.”

Figure 4, below, at an *illustrative* level shows one approach to clustering some DGs and other MMAF units into Working Groups.

⁷ In a later note, MMAF noted that a Budget Planning Unit had been established within the larger Planning Bureau to better analyze budget allocation decisions. This restructuring of the Planning Bureau is designed to make its work more scientific, and to accord more fully with the needs of related units in MMAF.

Figure 4: Possible *Illustrative* “Clustering” Strategy for MMAF



If MMAF elects to cluster certain DGs into larger Groups, then it might eventually end up with three “line” working Groups, as follows: (i) a Fisheries or Resource Extraction Group; (ii) a Marine Services or Resource Management Group; and (iii) an Enforcement or Resource Protection Group. The Fisheries Group for its part might link together the two DGs: (i) Capture Fisheries and (ii) Fish Processing and Marketing. The Marine Services Group might exist for Marine, Coastal, and Small Island development⁸ perhaps in combination with Aquaculture,⁹ while the third Cluster or Working Group could be responsible for Surveillance, Enforcement, and Control. Under this cluster model, the Research Agency might straddle all three working Groups, helping provide demand-driven data and analysis.

Under this illustrative clustering arrangement, DGs should not be clustered as un-connected organizational or administrative “islands.” In fact, some units within DGs have an intermediary role between DGs. For example, within the DG of Capture Fisheries, which is clustered under the Fisheries or Resource Extraction Group, is the Directorate of Fish Resources. The Directorate’s mandate is

⁸ The DG of Marine, Coats, and Small Island Affairs could be reorganized into two Directorates General: (i) a DG of Marine Affairs (covering marine service affairs but excluding fisheries sector) and (ii) a DG of Coasts and Small Islands Affairs (covering coast and small island management.)

⁹ The DG of Capture Fisheries and the DG of Aquaculture may not belong to the same cluster, because both of them have different characteristics, specifications, and problems. Each of these two DGs also has a very large work force.

conservation and expansion of fishery stocks. In this regard, this particular Directorate could play a key role in the work of the Marine Resource Group whose goal is resource conservation.

To provide some ‘glue’ to link together the DGs that would be clustered into Groups, the Ministry might create small staff Secretariats composed of two or three individuals from each of the relevant DGs, who would be physically co-located in the same office and tasked to work together to support the overall objectives of the Group. The members of the Secretariats could also be recruited from bureaus and centers under the Secretariat General in line with their tasks and functions. These Working Group Secretariats would facilitate coordination among Echelon 1 Units. They could report frequently to their respective Director Generals, and meetings of the involved DGs could happen as often as Ministry management and/or the DGs themselves deemed necessary. For example, Working Group meetings with the relevant DGs might occur on a weekly basis. Working Group Secretariats, with suitable oversight from individual Director Generals, could be tasked with preparing integrated strategies, budgets, and work plans, incorporating the priorities of each participating Director General. The formation of these Group secretariats could be created under the legal umbrella of MMAF’s Ministerial Decree in coordination with the Secretariat General.¹⁰

We stress that the ‘model’ shown in figure # 4 is *illustrative*. MMAF could explore other examples of possible clustering. One interesting suggestion of an alternative ‘model’ that came from discussions with some Ministry staff, for example, might involve clustering together: (i) the Research Agency, (ii) the Training and HRD unit, and linking this in turn with (iii) an expanded Public Information and Public Outreach capacity. This would shift the Agency for Marine and Fisheries Human Resources Development (BPSDMKP) from a line function into a staff function, a shift that should be followed by revising its major tasks and functions. The Agency’s counseling coordination function could be optimized by assigning it the responsibility of coordinating the marine and fisheries community empowerment programs.

The above might constitute a useful “staff” Group, which in turn might complement the various “line” Groups or Clusters described above. This idea is discussed separately below. This Cluster system should be based on functionality, focusing on defined tasks, to avoid overlapping in the area of technical implementation of programs and activities.

When it comes to managing marine and fisheries resources and improving public service delivery, the structure of MMAF Echelon 1 offices should clearly address their major tasks and functions. It is also important to minimize overlaps in the implementation of major tasks and functions. For example, the DG of Marine, Coastal, and Small Islands could focus on the management of marine, coastal, and small island resources instead of focusing on the fisheries sector.¹¹ The fisheries sector is already managed by at least three other Directorates General, including the DG of Capture Fishing, the DG of Aquaculture, and the DG of Processing and Marketing.

¹⁰ For example, the Secretariat of PUSKITA (Center of Analysis on International and Inter-Agency Cooperation) could have responsibility for coordinating the external policies of each Unit Echelon 1 to facilitate synergies to implement MMAF’s strategic plan and national development priorities. Some of these proposed new coordination functions of these Group Secretariats were previously carried out by PUSKITA.

¹¹ National Law (UU No.27/2007) concerning the management of Coast Zones and Small Islands Management, and Government Decree (PP.60/2007) concerning Fish resources management are the umbrella laws that guide marine and fisheries development, particularly in terms of marine, coastal, and small islands management.

2) Public Relations, Public Information, and Public Outreach

MMAF deserves to be commended for the important work it has done in expanding its Information Technology capacity, particularly its interactive web page. This work, performed by the Center for Data and Information (PUSDATIN), represents an important tool for communicating with the Ministry's clients, customers, and stakeholders. At the same time, a major ministry like MMAF normally would have a formal Public Relations Office, typically attached directly to the Minister's office. Often it would also have a more expansive Public Information or Public Outreach program that would go beyond simple Public Relations. Such an outreach program typically might include a multi-media approach, involving television, radio, perhaps cinema, billboards, perhaps things like popular songs, or puppet shows and other important educational and outreach initiatives. These would be aimed at sensitizing the Indonesian public to MMAF's role, and more importantly to the general importance of the marine environment, and the role of fish and other marine products to Indonesia's national economy.

It could also be worth considering a broader Social Marketing initiative for MMAF, designed to raise the level of awareness among the Indonesian public of the key issues that affect the marine and fishery sector, enhance their understanding of the problems, and most importantly, enlist them to take actions to help address the problems. The issues that could be part of a social marketing initiative could include illegal fishing, destructive fishing practices, coral reef protection, coastal zone management, etc. In our view, Public Information, Outreach, and Social Marketing are areas that merit more attention and resources. A clustering strategy could also be considered for the various offices that currently handle MMAF's public relations, public information, and public outreach activities. The various functions could be co-located into one unit, while individual members would remain formally attached to their particular offices. To be sure, establishing such a unit and expanding the work of PUSDATIN would require further analysis to ensure its consistency with the Ministry's legal framework and organizational structure.

3) Geographical Desks

As a national ministry, MMAF is responsible for helping manage the interface between the people of Indonesia and the country's marine resources. Geographical desks might represent one tool to help improve this dynamic relationship.¹² In some ways, this idea of geographical desks could complement a management approach taken by the DG of Capture Fisheries. Under this DG is the Directorate of Fish Resources that in turn has Sub-Directorates that have specific functions, such as the Sub-Directorate for Inland Waters, Sub-Directorate for Territorial and Islands Seas, and the Sub-Directorate for IEEZ (Indonesian Exclusive Economic Zone) and Open Seas. These geographical desks, which could be structured around Islands, or Regions of the country, could be used to organizationally link various fishing grounds together with islands or provinces that exist near a particular fishing ground. Thus, for example, the Sumatra Desk, (if MMAF elects to use such a term) would relate to Indonesia's Fishery Management Areas 2 and 9, while the Kalimantan Desk would relate to Fishery Management Areas 2, 3, and 8.

In addition, these Desks could also relate to the growing number of Marine Protected Areas (MPAs), the populations that live on particular islands, the ports, and any fish processing facilities that exist on a particular island. Such Desks might be able to improve MMAF's liaison functions with Governors, Provinces, and Districts that fall within each designated Region. They might serve a bridging function between MMAF in Jakarta and the Regions, Provinces, and Districts, helping to link MMAF's many

¹² MMAF has expressed the view that the establishment of Geographical Desks is a suggestion that might be covered by PUSKITA, especially under the Inter-Institutional Cooperation Unit. The ministry has indicated that the establishment of specific geographical desks would need to be comprehensively defined in terms of their positions and tasks.

technical functions with potential clients in different parts of the country. In turn, they might serve as a mechanism to make it easier for local people to access MMAF, whether in Jakarta, or in the field. Such Regional Desks might also help with some of MMAF's public relations functions like dealing with members of the legislature, who represent specific regions of Indonesia, or different Ministries of Government which have to interact with MMAF on specific issues. On balance, such Geographical Desks might serve to improve MMAF's service delivery, and help to shift the whole Ministry to becoming a more service-oriented institution.

Based on Indonesia's regional autonomy policy that is reflected in recent laws, the development of marine and fisheries sectors at the sub-national level has been decentralized. Nevertheless, there is coordination through the Office of Inter-Institutional Cooperation Affairs (PUSKITA). The implementation of regional desks may be carried out through forming a new Unit Echelon III under PUSKITA, serving as an extended function of Institutional Capacity Affairs.

5) Strengthening the Planning Bureau

The Secretary General oversees the Bureau for Planning. This Bureau is based on MMAF Ministerial Rule No PER.04/MEN/2009, and is responsible for coordinating the planning and execution of policies involving the marine and fisheries sector. This unit could be strengthened to become a more effective policy planning unit, drafting policies for the entire MMAF in collaboration with the DGs and other offices. At present, many policies are being developed and issued by or for individual DGs, and other administrative units of the Ministry. Sometimes, policies formulated in an *ad hoc* manner may compete with or contradict policies and priorities of other DGs, or other units of the Ministry. It may mean that individual DGs frame policies that serve their immediate purposes, but may neglect larger national (or Ministerial) priorities. Strengthening the Bureau for Planning to become a more effective policy planning unit might help redress the balance between individual DGs, and allow MMAF to construct a shared vision for the overall work of the Ministry.

6) Make the Budget a More Effective Management Tool

The DGs could transition from output to outcome budgeting and consequently develop performance measures for their goals and outcomes. Each DG could be asked to perform cost benefit analyses of their strategies as well as determine the full cost of producing each output, to begin taking full cost accounting down from the strategy to the output level.

To be sure, measures already are in place that have been developed by MMAF in consultation with *Bappenas*. However, these measures are not linked to a performance budgets. These performance budgets could be made accessible to all staff, with policy goals set out for each unit clearly reflecting the Ministry's broader outcome goals. Doing this will allow DGs to compare their strategies against the ministry's broader goals. This approach could help DGs adapt to policy or fiscal changes such as sudden drops in revenue or unanticipated policy issues. Ideally the Secretary General, with express Ministerial support, could review the performance of each DG in terms of its impact in relation to measurable outcome/output goals.

7) Nurturing a Service Orientation and Developing Feedback Loops

MMAF is a natural resources management ministry, with policy, regulatory, and enforcement responsibilities. But fundamentally it is a service delivery ministry that exists to address the needs of Indonesia's citizens. In this respect it provides a wide range of products and services to many clients, customers, and stakeholders.

Some parts of MMAF already seem to have a strong orientation towards their clients and customers. Staff of the DG of Fish Processing and Marketing, for example, seem to have a strong customer

orientation, conducting regular meetings and activities with fisheries associations and business organizations. Other units of the Ministry might benefit from developing such an orientation and practices. Virtually all units and offices of the Ministry including Bureaus and Offices located below the level of the DGs have their own clients and customers. For many offices of MMAF, their clients and customers are primarily internal. However, for the departments in the prospective “line” Groups of the Ministry, the customers and clients more often are external. One approach that MMAF may want to explore could involve having all offices of the ministry analyze their clients, and then conduct Customer Satisfaction Surveys, or developing other feedback mechanisms that could allow the Ministry and its component parts to gauge how well each office or department is actually serving its clients. The results from such surveys could become part of an expanded system to improve feedback loops across the Ministry, and might allow MMAF to understand and align itself more fully with the demands and expectation of its customers.

V. MMAF’S POLICY EFFECTIVENESS

The policy making functions of a Ministry typically represent the tip of an organizational pyramid. It is what the leadership of a ministry is primarily concerned about – to steer the organization. Without a proper policy making process in place, then the downstream ministerial activities – formulation of regulations, enforcement of rules and the delivery of services – can go off track.

Over the past decade, MMAF has evolved from an organization that was cobbled together from parts of several pre-existing “parent” ministries, into an organization with nine (9) largely autonomous DGs and Agencies. Because of this organizational history, and because of its present structure, the Ministry currently lacks a well-*integrated* management structure. In fact sometimes it seems closer to nine parallel and semi-independent organizations than it is to being one integrated natural resources ministry. Because of its history and present structure, MMAF also lacks a *shared vision* among its various wings for what they could be doing together as an organization.¹³

- **Example:** One DG promotes and licenses the capture of high value fish like groupers while another DG advocates protecting grouper habitats, spawning sites, and populations in order to sustain a threatened fishery and for other economic benefits like tourism.

In part because of its organizational structure, MMAF’s policy making process is relatively diffused. Policies in MMAF typically are made by largely autonomous DGs and Agencies. Frequently the policy process seems dominated by the five DGs, often acting unilaterally rather than collaboratively with other offices in the Ministry.

At present, MMAF’s policy making approach does not fully reflect the important changes happening across Indonesia’s marine and fisheries sectors, where fish stocks in most fishery management areas are plummeting, the capture fisheries sector is declining to the point of becoming a threatened industry, and aquaculture and marine farming need to become major growth industries. The trends suggest that over the next decade, Indonesia’s coastal waters will need substantially more protection and help if they are to become a sustainable source for artisanal fishing and off-shore aquaculture.

¹³ Whether its lack of integrated management structure causes it to have a somewhat fragmented policy making process, or whether its fragmented policy making process causes it to have a non-integrated management structure is a chicken and egg issue. Perhaps it is sufficient to suggest that both its management structures and its policy making processes deserve more attention from MMAF’s senior management.

Several further observations can also be made about the policy making process. For example, there are inconsistencies and gaps in MMAF's approach to policymaking, particularly because unresolved differences exist between and among the different DGs, and suitable mechanisms currently are not in place to bridge or reconcile these differences.

- **Example:** One DG urges Indonesians to “eat more fish,” in order to create demand for the commodity and to provide adequate protein, while another DG urges communities to create “no-take zones” in fishing areas in order to conserve fish, essentially reducing the availability of fish for the short term.
- **Example:** DG Capture Fisheries issues fishing licenses by geographic region. However, no policy in MMAF excludes fishing in areas recognized by the DG Marine, Coasts and Small Islands and local jurisdictions as “no-take conservation areas.” Indeed, there are no national management plans for major fisheries, so Indonesia's districts are not receiving suitable guidance with which to make their own policies.

Important policy gaps also exist between and among various Ministries that impact upon marine affairs and fisheries. For example, the Ministry of Agriculture working with farmers, and the Ministry of Forestry working with loggers both impact significantly upon erosion, pollution, and run-off into coastal waters. Mechanisms have yet to be put in place to rationalize the different institutional priorities and tradeoffs that could protect marine and coastal waters, while also allowing forestry and agricultural activities to proceed on land. Of course these are not easy tensions to reconcile, and such challenges go far beyond the direct mandate of MMAF.¹⁴

As with other ministries in Indonesia, overlaps occur with other ministries when it comes to implementing the tasks and functions of MMAF. For this reason, enhancing coordination with other ministries and institutions is very important, particularly in the following three areas:

- With respect to registration and controlling fisheries inspection boats, MMAF needs to work closely with the Ministry of Transportation;
- Concerning marine transportation and delivery services, MMAF needs to work closely with the Ministry of Finance, Ministry of National Planning, and PT. PELNI (the Commercial Shipping Company); and
- Regarding education and training, MMAF needs work closely with the Ministry of National Education.

It is also clear that MMAF appreciates the complexity of its multiple missions to manage resources sustainably while increasing the value of the marine and fishery sector, as well as improving the quality of life to coastal citizens. Several intra-organizational groups and inter-ministerial committees have been formed to address issues like: (i) the three core marine commodities of shrimp, tuna, and seaweed; (ii) the management of mangroves (where MMAF has been working with the Ministries of Environment and Forestry) and (iii) the enforcement of fishing licenses through the Fisheries Courts. All these initiatives appear to be well regarded both within and outside of MMAF.

¹⁴ This tension is not unique to Indonesia, and in fact is almost world-wide. For example, see discussions on the web relating to the Chesapeake Bay in the Washington DC metropolitan area. The Bay and its many off shore fisheries suffer from similar problems of urbanization and agricultural run-off found in parts of Indonesia.

In addition, there are policy tensions between the Central Government represented by MMAF in the marine and fishery sector, and the local governments when it comes to responsibilities for coastal activities, and coastal fishing. For example, the law that decentralized authority over marine areas allows Districts to manage marine resources from the coastline out to 4 nautical miles, provinces from 4 to 12 nautical miles and the national agencies from 12 to 200 nautical miles. This seems to raise both capacity and coordination problems. Much of Indonesia's technical capacity to work with marine and off-shore coastal areas lies within MMAF, while most of the responsibility and authority for such work now rests with the Districts and Provinces, which have negligible technical capacity. An example of the problem this creates is the "holes" in jurisdiction, where the national agencies have authority over a small area that in turn is fully surrounded by provincial jurisdiction, such as in the Berau fishing areas of East Kalimantan Province.

To ensure that policy making is conducted in consonance with the existing legal and regulatory environment, decisions within each of MMAF's internal units could refer to the Minister's Advisors and the Bureau of Law and Organization and seek their advice. This could contribute to improving consistency among MMAF policies. In addition, there are other approaches to enhancing policy effectiveness, as follows: .

Possible Strategies to Improve MMAF's policy effectiveness

- 1) **Clustering DGs into "Groups"** could create mechanisms so competing interests within MMAF might work together more effectively, and over time find ways to reconcile some of their different and competing priorities. Establishing Staff Secretariats for each Working Group so that several DGs are required to work together on the preparation of strategy documents and budgets. This might help harmonize interests and improve policy making.
- 2) **Strengthening the Bureau of Planning.** This Bureau could be tasked with working closely with all DGs and Agencies to help bridge internal differences so MMAF policies would become more consistent, and represent the overall policy of the Ministry, instead of representing discrete parts of MMAF. Such a unit could work under the direction of the Minister and/or the Secretary General.
- 3) **Establishing Regional Desks** might allow improved coordination and communication between MMAF's important technical functions and its outreach to specific populations with unique social, economic, and technical needs. The Regional Desks might help give voice to the needs of different parts of Indonesia, allowing more nuanced policies to be crafted to serve them better.

VI. MMAF'S REGULATORY EFFECTIVENESS

In this study, we define regulation as the appropriate application of policies to ensure the achievement of policy goals. By appropriate application, we mean evidence-based analysis that will enable regulators to calibrate regulations that reflect actual circumstances. Among the principal tools of regulation are incentives such as tax breaks and rebates and disincentives such as high fees and fines. The application of incentives and disincentives are intended to enable a ministry to steer the units it regulates in the direction it wants them to go.

In MMAF, a considerable degree of its regulation is carried out through fees and fines. In this respect, it is critical that fees and fines are appropriately calculated and collected. This means that data and analysis are crucial. "*Who calculates what*" is fundamental. Without the right analytical capabilities among regulatory personnel, it is likely that fees and fines will be nothing more than arbitrary numbers. A worse case scenario might be that the fees and fines are structured in ways that favor informal pay-offs over

formal payments, i.e. they could be set up artificially high to encourage lower side-payments; or there could be several steps for payments that delay processing, thereby informally encouraging “speed payments”.

The worse case scenario is regulatory capture. This is when the regulators are beholden to the regulated, or where the regulator is afraid of the regulated. In this instance, there will be a total failure not just of regulation but of policy itself. Regulatory capture reflects a breakdown of accountability and is partly produced by an absence of transparency in regulatory operations.

With the partial exception of the Secretary-General and the Agency for Research, all DGs and the Agency for HRD are involved in regulatory activity. The Secretary-General may be involved in regulation through his support of the Minister’s role, but his office does not generally issue formal regulations that involve MMAF’s external users and stakeholders. (An exception to this role is the Fish Quarantine Center, which currently is under the Secretary-General’s office. The Center directly is involved in fish quarantine policies and regulations.¹⁵) At its core, however, the Secretary-General’s office is concerned with internal regulations related to the management and operation of the ministry, focusing on staff functions, budget and planning, and career development.

The DG of Capture Fisheries is at the center of regulatory work of MMAF. It is involved in issuing certifications and collecting fees related to the registration of vessels, licenses for fishing vessels, and licenses to fish and transport fish. The DG regulates boat specifications, fishing gear, fishing areas, and quotas. In this regard, a fundamental regulatory question that needs to be asked periodically is this: are the number of licenses and the pricing of fees contributing to the Ministry’s policy goal of sustainable fishery management? In view of the growing problem of IUU, the high number of fake deletion certificates, and the sharp drop in non-tax revenues from licensing (discussed further in the following section on Enforcement), this appears to be a salient question.

The work of the DG of Capture Fisheries is partly hampered by inadequate data and information to allow it to improve the design of its regulations, i.e. determining maximum sustainable yield and total allowable catch. In our view, there is a related issue of weak linkages among the DG, the Bureau of Statistics and the Research Agency. The work of the DG is also hampered by the fact that some regulations are insufficiently designed and described, i.e. with respect to fish size and age, the exclusion of marine protected areas and spawning sites, and lack of linkage with the work of the DG of Marine, Coasts and Small Islands. In addition, some regulations appear inadequate to provide guidance to local authorities in terms of process and criteria. There also appears to be boundary and jurisdictional issues with respect to local and national regulations, i.e. in relation to small boats and catch size. There is also the question of how the DG of Capture Fisheries deals with the issue of value versus quantity of fish. This issue is linked to the work of DG of Fish Processing and Marketing. It would seem that the DG of Capture Fisheries is more concerned about quantity rather than value, which could have a negative impact on fishery management.

Another unit that is involved in significant regulation is the DG of Processing and Marketing. This DG issues health certifications for fish processing plants. These certifications are needed to demonstrate to foreign markets that Indonesian fish products comply with international standards. It also accredits firms that seek to export. It is also responsible for certifying “traceability,” a crucial task with respect to marketing “eco-friendly” caught fish.

¹⁵ The Fish Quarantine is responsible for monitoring and checking fish diseases and viruses in the seaports and airports to ensure that infected fish is not transferred to and from Indonesia.

The regulatory work of the DG of Fish Processing and Marketing is complex and challenging due to the nature of its mandate and its measures of performance. It is responsible not just for ensuring Indonesian firms' compliance with rules in foreign markets, but also for the penetration and expansion into those markets. Notably, this DG is focused on revenue outcomes as a measure of its performance, i.e. the value of exports of fishery products. Its 2008 target is US\$ 2.8 billion, a 7.5% increase of the US\$ 2.6 billion value in 2007.¹⁶

The DG of Fish Processing and Marketing is also directly involved in negotiation with foreign markets, such as the European Union, for reduced tax rates for Indonesian fish exports. At present Indonesian fish products are taxed at higher rates due to prior EU findings of health violations. This issue puts the DG in a difficult situation – on one hand, it is responsible for regulating a firm's health standards and on the other it is responsible for promoting fish exports. The tension in these two activities is reflected in the fact that both activities can have opposite measures of performance. Being strict on health standards could affect the volume of fish exports, which is a major benchmark of performance. In this regard, it might make sense to clearly separate the regulation and export promotion functions of the DG.

Due to its role, the DG of Fish Processing and Marketing is pressured to be efficient in issuing those certifications while promoting compliance with international standards to demonstrate the safety and quality of Indonesia's fish products. In this regard, the DG is to be commended for its pilot program in issuing 1-day health certifications, which is being run in Jakarta and Surabaya. It represents an ambitious program, because health certifications generally take two weeks. The DG's effort at expediting this process reflects its sensitivity and appreciation of the market needs of Indonesian fish processing firms.

With regard to DG of Marine, Coasts and Small Islands, a significant part of its regulatory work relates to enhancing and managing involvement of the private sector in the development of coasts and small islands. In this respect, the DG is a key player due to its zoning authority. To be sure, its authority is shared with other entities, including local governments and other ministries, such as the Ministry of Forestry (for the determination of conservation zones). With respect to the DG's mandate for helping improve economic development in remote and small islands, its role is limited by other agencies, namely the Directorate of Sea Transportation in the Ministry of Transportation, the Fiscal Agency in the Ministry of Finance, and the Directorate of Transportation at the National Planning Agency (the constraints faced by MMAF in this area is discussed more fully in the section on MMAF's External Relations).

With regard to the DG of Aquaculture, its regulatory work involves encouraging the development of aquaculture activities, i.e. freshwater aquaculture, brackish aquaculture, and mariculture. The latter is said to be less developed than the others but appears to have high potential, particularly for the cultivation of finfish and shellfish (especially prawns and oysters) and seaweed. Non-food mariculture production also has high potential. This includes fish meal, nutrient agar, cultured pearls, and cosmetics. Regulatory work in the DG of Aquaculture would entail ensuring appropriate targeting of different areas for different fish species, establishment of incentives to encourage investments in aquaculture ventures, and fostering development of fish farmers, 90% of whom are small-scale.

A Regulatory Question: Loans versus Grants in MMAF Community Empowerment Programs?

¹⁶ Due to the global economic downturn, it will probably be difficult to meet this proposed target, since Indonesia's economy is significantly globalized.

Some MMAF officials expressed concerns that the regulatory approach in fostering greater empowerment among fish farmers had shifted from providing focused incentives for fish farmers' empowerment and investment to merely providing small one-time grants that have little effect. In 2008, MMAF allocated 115 billion rupiah for direct grants to fish farmers, a budget that was previously distributed as loans managed by farmers' associations.¹⁷ The previous loan program reportedly faced problems in terms of repayment and had mixed results. The revised program of direct grants was said to have some issues in terms of negligible impact on aquaculture development. The grants were all uniformly valued at 2 million rupiah (less than US \$200), given to each fish farmer in MMAF's registry. This small amount, allocated without any purposive criteria other than populist redistribution, would be difficult to qualify as seed capital for any serious aquaculture venture or empowerment initiative. MMAF considered a return to the loan program, with a view to addressing the sources of repayment issues and reviewing incentive structures. Global experience in micro-finance suggests that on balance small loans programs (given appropriate policy, regulatory, and implementation mechanisms) presents a more promising regulatory strategy than providing outright small grants with no accountability for results.¹⁸

Concerning the DG of Surveillance and Control, it is unique among the DG because it does not directly make regulations. Rather its task is to implement the regulations of the ministry and of the other DGs. As discussed in the next section on Enforcement Effectiveness, the DG of Surveillance and Control focuses its attention on IUU problems, specifically the enforcement of MMAF policies against IUU. This means enforcing the policies of DG Capture Fisheries on licensing of fishing vessels, fishing gear, and fishing areas. Nevertheless, although its role is enforcement, the DG is not totally removed from policymaking and regulation. In fact, its inputs could help inform how the DG of Capture Fisheries can improve its policies and regulations. There are reports according to MMAF sources of tensions between the two DGs arising from the persistence of IUU problems. Some staff at DG of Surveillance and Control said that their office is at odds with DG Capture Fisheries partly on account of the fact that the former is apprehending vessels that were given "genuine but false licenses", raising issues with the integrity of the latter's operations.

Possible Strategies for Improving Regulatory Effectiveness

- **Conduct regulatory review analysis of key MMAF policies and regulations.** Regulatory review tools (such as cost-benefits analysis and risk assessments) could be used to analyze the effects of rules and regulations, whether they are achieving the intended impact, what their side effects and hidden costs, and what are factors that are helping or hindering compliance from citizens and stakeholders. These analytical tools can also helpful in understanding the gaps and flaws in enforcement. As discussed above, there are several major MMAF policies that could be the focus of more in-depth analytical reviews – among them the licensing rules and procedures for fishing vessels, the grants guidelines for aquaculture activities, the certification process for aquaculture firms, the economic development policies for coasts and small islands, etc.

¹⁷ MMAF explains that the loan program managed by the association of fish farmers was terminated in 2008 and replaced by the grants program. In 2009, grant programs were reformed to become entirely part of National Program on Community Empowerment (*Program Nasional Pemberdayaan Masyarakat* or PNPM). MMAF notes that the Directorates General guarantee the cycle of funding within coastal communities, first creating credit units (*simpan pinjam*) to help people stand up against the local money lenders.

¹⁸ See, for example, Mohammed Yunus, *Banker To The Poor: Micro-Lending and the Battle Against World Poverty*, Public Affairs:2003.

- **Consider the Agency for Research to be the body that would take the lead in conducting regulatory review analyses.** Under the previously discussed clustering approach, the Agency for Research would serve the three major Groups – Fisheries, Marine Services, and Enforcement. Scientific research functions should support all units in MMAF. As a cross-cutting unit, the Agency for Research can establish a unit that can be the spearhead for the agency on how each DG can help each other improve their respective regulations as well as ministry-wide regulations. Enhancing the research function could be performed through revitalizing Research Centers under MMAF. This reorganization could face new challenges through enlarging the BRKP. This would mean all implementing units that focus on research and development activities would be coordinated under it.
- **Conduct of training on regulatory review tools for the Agency for Research and key staff of the DGs, including the members of the proposed secretariats for each cluster/Group.** Effective regulation relies on accurate data gathering and appropriate analysis. International best practices have led to the development of regulatory principles and actions that are crucial to government effectiveness. The quality of regulation depends in great part on the skills of regulators in applying appropriate tools to analyze data. Hence, this type of training is essential to regulatory effectiveness.
- **Improve the ability of MMAF to frame regulations based upon valid data.** To accomplish this, MMAF's data tabulation and analytical capacities could be enhanced. The coordination involved with framing regulations could be enhanced both internally within MMAF, and in collaboration with other external institutions and Ministries. The mutual learning or "socialization" of regulations with different institutional players could be conducted in a more integrated manner.

VII. MMAF'S ENFORCEMENT EFFECTIVENESS

For most Ministries, enforcement functions are important because they give teeth to a Ministry's regulations. Without suitable enforcement mechanisms, the role of regulations formulated by MMAF would become meaningless. Enforcement encompasses an important chain of actions, where all links in the chain have to be completed in order for enforcement to have its desired impact. This chain extends from: (i) detection, through (ii) investigation, to (iii) prosecution. Detection is necessarily at the beginning of the chain. If violations are not detected, then enforcement has already failed. Investigation, in turn, is crucial to take the detection of violations to the next level. Investigation sorts out fact from fiction, and marshals the evidence needed for prosecution. Prosecution, in turn, makes the case for punishment appropriate to the violation. The end result would be sanctions for the violators that would unmistakably send signals to all players that there are consequences for not following the rules.

MMAF considers illegal, unregulated and unreported fishing (IUU fishing) to be its biggest enforcement challenge. Nevertheless, within the past ten years the management of marine and coastal resources have moved in a positive direction. This suggests that policymakers have started to realize the importance of stricter law enforcement to protect ecological assets and marine resources.¹⁹ In many ways, however, the problem still appears to be growing in magnitude despite increased efforts by MMAF to improve the detection, investigation, and prosecution of violators. For example, there is an increased number of fishing vessels that have been apprehended by MMAF and other Indonesian maritime authorities. Most of the violators are foreign-owned vessels (see Table 2). In 2006, 49 out of 108 foreign-flagged vessels that were inspected were found to be in violation of regulations (45% of the total). In 2007, as MMAF added more ships to its fleet, 212 foreign-flagged vessels were inspected, and 89 were found to be problematic

¹⁹ Erdman, Mark, "Protecting Indonesia's Vital Marine Resources," USAID's Natural Resources Management Program, 2004.

(42% of total). Comparatively, fewer Indonesian vessels were found to be in violation; in 2006, over 1300 vessels were inspected and only 83 were problematic (6.2% of total). In 2007, over 2000 vessels were inspected and only 95 erring vessels were found (8.3% of total). In 2008, about the same number of vessels were inspected; however, although fewer foreign vessels were inspected (34% less than in 2007), the extent of violations by foreign-flagged ships increased to 88%.

Table 2: Vessels Violating Indonesian Fishing Laws

Year	Vessel Flag	Number of Fishing Vessels Inspected	Number of Vessels with violations	Percentage of violations
2006	Indonesia	1339	83	6.2%
	Foreign	108	49	45.4%
	Total	1447	132	9.1%
2007	Indonesia	1995	95	4.8%
	Foreign	212	89	42.0%
	Total	2207	184	8.3%
2008	Indonesia	2038	124	5.8%
	Foreign	140	119	88.6%
	Total	2178	243	11.2%

Source: MMAF.

In general, there are three categories of IUU violations:²⁰

1) Fishing vessel procurement and registration

- a) Manipulation of fishing vessel documents, namely the vessel ownership document (trading certificate, endowment, heritage or other transaction), and the Deletion Certificate.
- b) Court verdict on vessel ownership is based on fictitious credit transaction.
- c) Manipulation of documents of vessel registration application (data manipulation related to vessel size, vessel material, vessel manufacturer location, etc.).

2) Fisheries license

- a) Manipulation of fishing license (i.e. exceeding number of boats associated with license)
- b) Manipulation of fisheries license application (name and address of vessel owner, vessel document, deletion certificate).

3) Operation of fishing vessel

- a) Catching and/or transporting fish without license

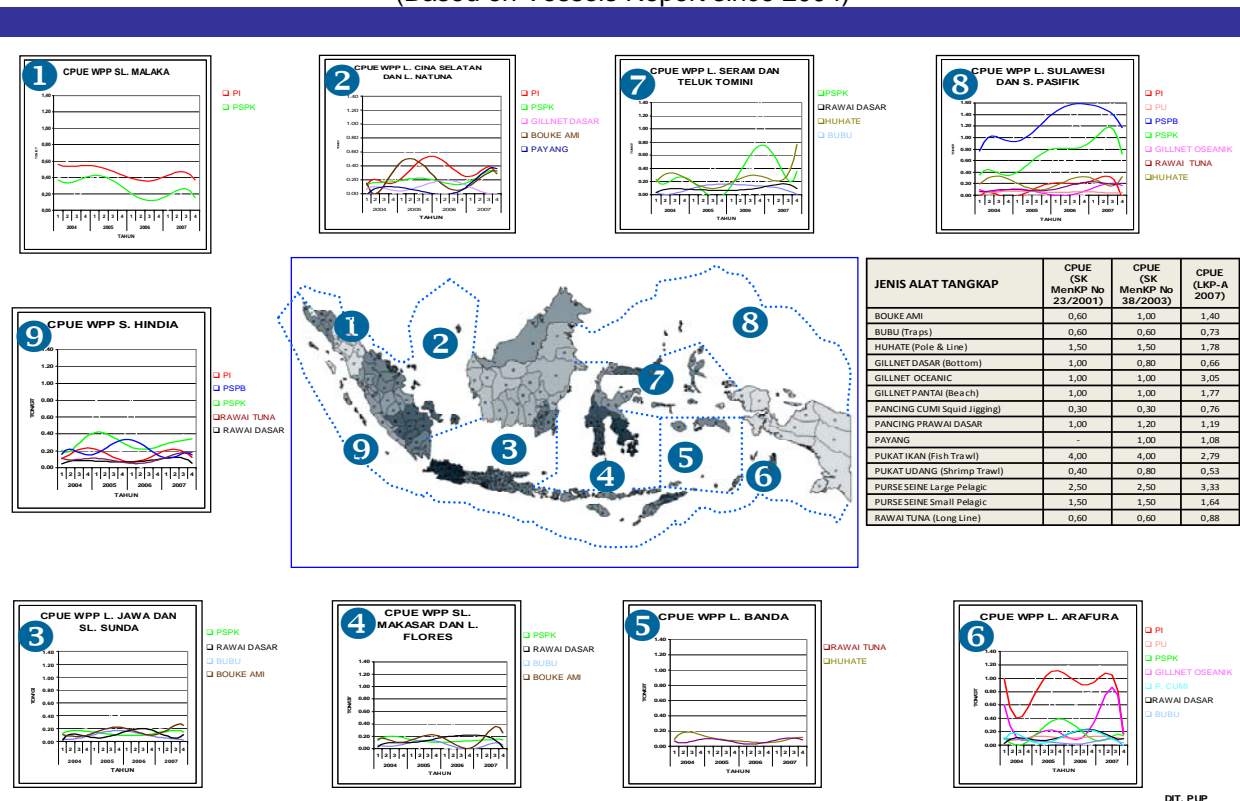
²⁰ Dr. Purwanto, Secretary, DG of Marine and Fisheries Resources Surveillance and Control, "Surveillance Policy in Fisheries Resources Utilization based on WPP (Fisheries Management Area)," Presentation at the Coordination, Utilization, and Management of Fisheries Resources Forum, Banda Aceh, NAD, 8-10 July 2008.

- b) Vessel name, vessel size, and/or machine data (i.e brand, serial number or machine power) not consonant with the license.
- c) Fishing gear type, size and amount, and/or support fishing gear not consonant with specifications allowed in the license.

The data on fake deletion certificates suggests the problem of “manipulation” of documents is acute.²¹ The term used in MMAF is that these are “genuine but false documents”, i.e. the deletion certificates were officially issued but obtained under false pretenses. In 2004, a review of 684 deletion certificates was initiated involving vessels that supposedly had terminated foreign ownership and were flying Indonesian flags. **Of the 255 certificates that have been verified, 215 or 93% were found to be faked.**²²

The prevalence of fake deletion certificates suggests a massive failure in the Ministry of Transportation registration process, as MOT is the ministry responsible for vessel registration. The problem shows starkly that the enforcement of regulations against IUU is not just a problem of MMAF, but a government-wide inter-ministerial problem.

Figure 5: Productivity of Fishing Vessels in Fisheries Management Areas
(Based on Vessels Report since 2004)



Source: MMAF.

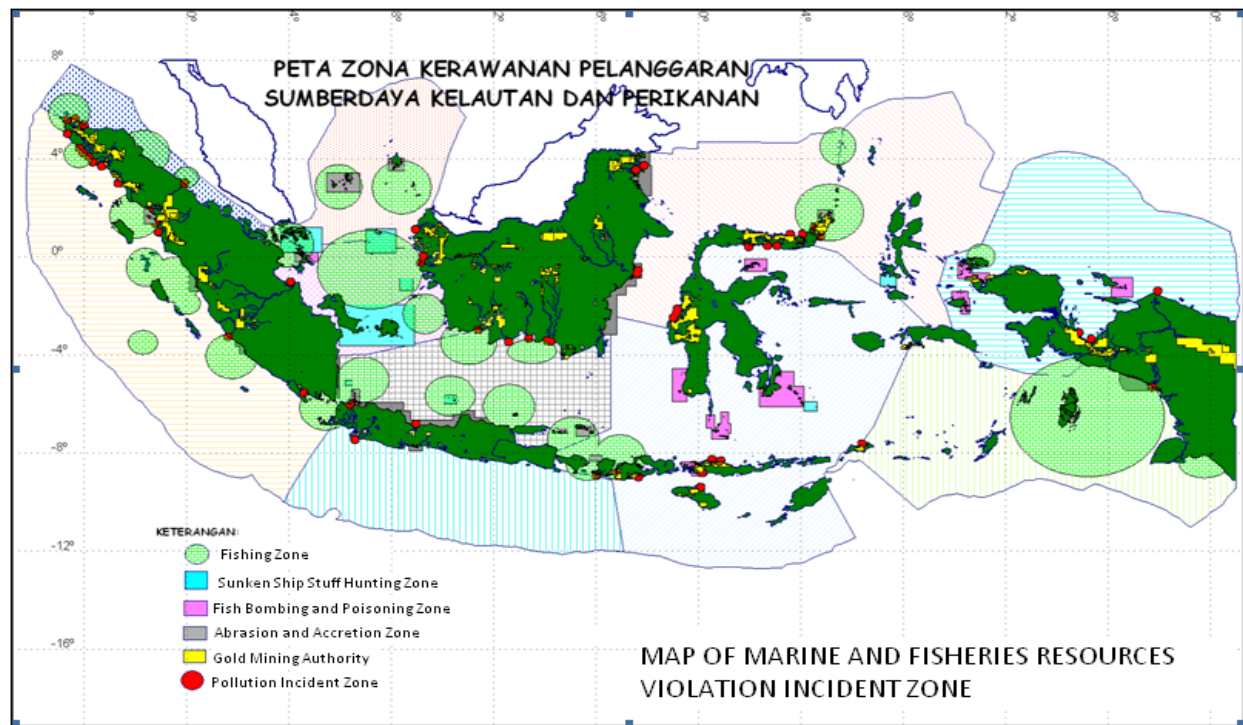
²¹ A deletion certificate generally refers to documents that include the following (1) statement that a ship is no longer registered with its previous country register and would state the circumstances of its closure of registration, (2) a statement of the registered ownership and mortgages in force at the time of closure, and (3) the registered description of the ship at the time of closure.

²² Dr. Purwanto, op.cit.

What makes IUU a pressing enforcement issue is the growing problem of declining fishing stocks in Indonesia. This problem is reflected in the decrease of productivity of fishing vessels in 7 of the 9 fishery management areas (see figure 5). With the exception of the fishery management area in the Arafura Sea (fishery management area #6) and the Sulawesi Sea and Pacific Ocean (fishery management area #8), all other fishing areas in Indonesia show low fishing productivity.

Perhaps not surprisingly, the Arafura Sea (fishery management area #6) is the site of the most numbers of IUU cases involving foreign vessels from Thailand and China (see figure 6). The Sulawesi Sea (fishery management area #8) and the South China Sea (fishery management area #2) are the other sites with IUU violations from foreign vessels (Philippines and Thailand, respectively).

Figure 6: Incidents of Illegal, Unregulated and Unreported Fishing in Indonesia



Source: MMAF. Note: *The bigger the green circular area, the larger the number of recorded IUU violations.*

In view of the IUU problems posed by foreign fishing vessels, MMAF sought to restrict the issuance of licenses to foreign-flagged vessels. In 2005, MMAF suspended the issuance of all fishing licenses to foreign flagged vessels. This suspension was formalized in a ministry decree in 2006. This policy was revised in 2007 to allow for licenses to be issued if the foreign owners have foreign direct investments in the fishery sector. The result of this policy has been at best mixed. As the number of licenses to foreign vessels has dropped, there has been a sharp decline in MMAF's non-tax revenues from license fees. In 2004, revenue from fishing licenses was about 500 billion Rph (or around US\$42 million), about a sixth of MMAF's current budget of around 3 trillion Rph. When licenses were suspended in 2005, there was a 20% drop in license revenue, in great part because licenses for foreign vessels are relatively more expensive than licenses for local ships. Subsequently, the annual license revenues have continued its downward spiral. In 2008 to date (January to October), the revenue is down to 64 billion Rph (see Table 3), only 13% of total 2004 earnings.

Table 3: Non-tax Revenues from Fishing Vessel Licenses

Year	Total fees (in billion rph)	Total fees (in million US\$)*	% of annual decline
2004	500	42	(base year)
2005	400	33	20.00%
2006	198	16	50.50%
2007	114	9	42.40%
2008 (Jan-Oct)	64	5	43.90%

Source: MMAF. Based on US \$1 = 11,800 Rupiah, exchange rate per 6 February 2009.

According to MMAF sources, this drop in revenues has not been offset by foreign direct investment that is supposed to be required from foreign vessel operators because many operators have sought to circumvent this policy. The principal method, according to these same sources, has been to register foreign vessels under the false pretext of being Indonesian-owned. This is reflected in the high degree of fake deletion certificates found in vessels apprehended for IUU violations.

In this respect, the policy of non-issuance of fishing licenses to foreign vessels subject to FDI needs to be reviewed. At present, because of false re-registration of foreign vessels, it does not appear to have reduced IUU fishing. Instead, the policy has simply reduced the revenue intake of MMAF. It could be worth exploring the impact of untying the issuance of licenses to foreign vessels to FDI and instead tightening controls in the licensing process at the DG of Capture Fisheries and giving the DG of Surveillance and Control greater resources for capacity building. At present, the DG of Surveillance and Control may be relatively understaffed and under-resourced, with only 7% of MMAF's staff and 9% of its budget.

In addition to strengthening the patrolling capacity of the DG of Surveillance and Control, it would be equally important to heighten its investigative capacity to ensure more effective prosecution. The DG's Director for Law Enforcement is responsible for preparing the cases that will be turned over to the Attorney General's Office to be prosecuted in the five fisheries courts around the country. It appears that only a limited number of cases are being taken to court, in part because there are only 5 courts and perhaps also because of the limited capacity of the Law Enforcement operations in the DG of Surveillance and Control.

Based on the data given to the EGE team, it appears that from 2005 to the present, *only 36 IUU cases have been resolved in the fisheries court.*²³ If we compare this with 316 cases of IUU in 2006-2007 (assuming all those cases were found to have legal bases for prosecution), *then only 11% of cases have gone through the prosecutorial system.* This would be a conservative figure; the data seems to suggest that a full study could show that the actual number of cases being investigated that result to prosecution and court resolution is probably a smaller number.

To be sure, MMAF's enforcement functions go beyond IUU. It is important to note that MMAF has other important enforcement requirements. Some of these other regulatory functions include regulations concerning health, conservation, zoning, fish processing, quarantine, exports, and small island development. Further, the Inspector General's office has significant internal enforcement functions. Generally, the DG of Surveillance and Control seems to focus on IUU, while the other DGs take care of enforcement for the respective regulations they have drafted.

²³ List of Cases, Director for Law Enforcement, DG of Surveillance and Control, photocopy.

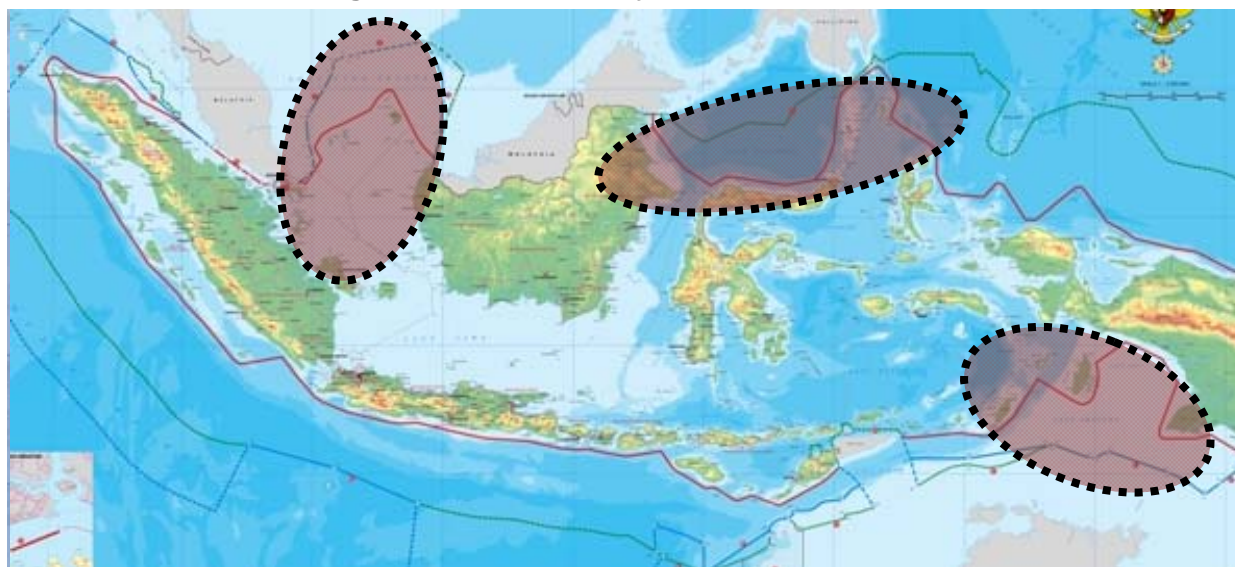
Across MMAF, data is crucial to assist with enforcement decisions. Data may come from a variety of sources, but one primary source for the DG of Surveillance and Enforcement could be MMAF's Research Agency. The Research Agency could become more oriented towards the particular kinds of data which the Enforcement DG needs, as well as to the data needs of other parts of the Ministry. The Research Agency could assist, for example, in setting up a case monitoring system.

Under Indonesia's newly decentralized structures of government, where much power and authority has been devolved to the levels of the District, jurisdictional issues are proving to be a significant challenge. As noted previously, the Districts adjacent to the ocean have responsibilities for the first four nautical miles of coastal waters; then the provinces take responsibility for coastal waters from 4 nautical miles to 12 miles; and the national government assumes responsibility for enforcement from the 13th nautical mile out to 200 miles. This jurisdictional fragmentation is creating some challenges, and resolution will require complex coordination. Neither the rules nor the administrative practices are currently in place to fully address these sometimes overlapping responsibilities.

Possible Strategies for Enhancing Enforcement

- **Set up a comprehensive case monitoring system in the DG of Surveillance and Control** – The records of IUU cases investigated and filed at the DG of Surveillance and Control are incomplete. According to staff, they do not have data from many provinces. This represents basic data for decision-making with regard to allocation of resources for investigation. Without this information, enforcement is compromised. The Research Agency could include this as one of its research areas.
- **Enhance Capacity of DG of Surveillance and Control in Investigation** – The DG is responsible for investigating IUU cases following the apprehension of vessels. The quality of their investigation is what ensures effective prosecution. If an investigation is solid, the likelihood of a conviction is higher. While there is insufficient data to make a generalization, the patchy records at the DG of Surveillance and Control are not encouraging. For example, in West Java, there were 7 IUU cases that were prosecuted from 2005 to the present. Of these 7, 3 resulted in acquittals.
- **Request the judiciary to consider expanding the number of fisheries courts**– It is likely that one of the reasons why few IUU cases get to court is the fact that fisheries courts have only recently been established and there are only 5 thus far. Given the sprawling archipelago, it is probable that many IUU cases are not being taken to court due to the long distances and the associated costs for investigation and prosecution. MMAF could examine this situation further and explore the possibility of asking the judiciary to expand the number of courts or locate them strategically in relation to where IUU cases are concentrated.
- **Strategic deployment of patrol fleet** - Based on its findings of where IUU cases are more prevalent, MMAF has concentrated its patrols in selected fishery management areas (see figure 7). The Enforcement Directorate might be able to further enhance the strategic use of its resources. From time to time, MMAF Enforcement fleet might want to form their limited number of vessels into a flotilla or Strike Team, where most of the boats would suddenly all begin patrolling priority areas intensively together. If done from time to time, such an effort might yield better results in terms of deterrence. Such a flotilla approach might rely upon 'overwhelming force' relative to the illegal fishing craft, in order to accomplish its important enforcement goal. As a byproduct, it might also yield some useful publicity for MMAF, particularly if the Strike Team's flotilla succeeds in capturing a significant number of foreign vessels illegally fishing in Indonesian waters. Properly edited videos of such effort could be shown on local television, or used in other media to help publicize the important role of MMAF. Such good publicity might also help MMAF's relations with the Indonesian legislature, particularly when it comes time for budget hearings.

Figure 7: MMAF Priority Surveillance Areas



- **Establish a National Coast Guard.** The difficulties of law enforcement in Indonesia are compounded by the lack of surveillance and control systems. Ironically, with its huge marine area, Indonesia still does not have a Coast Guard, which should play a key role in marine and fisheries sectors. Other archipelagic countries like Japan have Coast Guards and they are well established institutions. The idea of establishing a Coast Guard is now being supported both within the Government of Indonesia and from abroad. To move the idea forward, Indonesia plans to host the Asian Coast Guard meeting in 2009.
- **Consider the development of “Community Fisheries” programs** - There are some emerging new approaches that may prove relevant to MMAF’s approach to enforcement. One idea might involve adapting the principles of ‘sustainable resource management,’ which is increasingly being used to regulate resources around the world.²⁴ The ideas behind this approach are related to some ideas being considered by MMAF, such as “developing a community-based fisheries surveillance system”. These ideas might be appropriate under a decentralized governance system where vast amounts of authority and responsibility have been delegated down to District levels.²⁵
- **Considering improving linkages with the Ministry of Foreign Affairs.** MMAF, perhaps through its Center of Analysis on International and Inter-Agency Cooperation (PUSKITA), could establish closer cooperation with the Ministry of Foreign Affairs to help frame and implement diplomatic initiatives for the marine and fisheries sectors, in consonance with national development priorities. Given the international dimensions of the problems faced by MMAF such as IUU, it could be helpful to have the contributions of the Foreign Affairs Ministry in addressing the issues.²⁶

²⁴ “Initiatives in Capacity Management, promoting Certification in Fisheries and Aquaculture, and combating IUU Fishing in Indonesia,” MMAF, PowerPoint presentation, undated.

²⁵ The principles of community policing might also merit exploration.

²⁶ This coordination with the Foreign Affairs Ministry could build on a previous activity implemented by PUSKITA involving an Annual Technical Meeting attended by MMAF stakeholders, especially the staffs from marine and

VIII. MMAF'S SERVICE DELIVERY EFFECTIVENESS

Service delivery in MMAF involves transactions that happen between its DGs and agencies and their various clients, customers, and more broadly, the citizens of Indonesia. All DGs, agencies, and bureaus provide services, to either or both internal and external clients and customers. Typically, this is true of even the smallest offices.

Some examples of MMAF's external and internal services are the following:

- The Secretary General provides both internal and international coordination and liaison functions;
- The DG of Capture Fisheries issues licenses and provides technical assistance to fishing companies;
- The DG of Aquaculture provides export certifications, guidelines, and technical assistance;
- The DG of Fish Processing and Marketing provides quality assurance, marketing assistance, and promotional services;
- The DG of Marine, Coastal & Small Islands provides services supporting coastal development planning, and support for community development;
- The Agency for Research provides scientific knowledge, data, information, analysis, and in some cases technical assistance;
- The Training and HRD Office provides training, both internally for MMAF staff and externally to clients and other customers; and
- The Inspector General's office conducts internal audits and responds to public concerns.

Service delivery, in short, is the litmus test of a ministry's utility. For many citizens, service delivery constitutes the value of a ministry. How a ministry serves its citizens in frontline transactions is arguably what matters most to citizens' perceptions of effectiveness. How a ministry serves its internal customers – its permanent and contractual employees – shapes personnel morale and productivity.

MMAF has been designed and structured to function as a technical Natural Resources Ministry. This orientation has required it to develop capacities to carry out important technical functions. Thus, almost by definition, MMAF has not been structured around the delivery of services. However the two approaches involving technical expertise on one hand and a service delivery orientation on the other are not mutually exclusive. MMAF could continue to perform its important and legitimate technical functions, while at the same time improving the quality with which it delivers services to its clients and customers. Thus, MMAF might want to nurture “*effective service delivery*” as an important component to its corporate culture.

One way to begin to do this might be to determine which offices of MMAF are most engaged in individual frontline transactions with citizen-customers. For example, DG of Capture Fisheries engages in hundreds of transactions annually in its issuance of licenses for fishing, fishing locations, and fishing gear. DG of Fish Processing and Marketing is involved in hundreds of transactions involving health certifications for fish processing plants. Similarly the DG of Aquaculture issues numerous certifications for aquaculture ventures. The DG of Marine, Coastal and Small Islands provides certifications for economic development ventures in the areas of its jurisdiction. Given this context, MMAF could conduct a survey among the users of these various services to determine which services are being utilized most, which services are viewed favorably, which services are rated poorly, which services are needed but not being supplied, etc. Baseline data can also be determined in terms of processing time of such services, the

fisheries offices at sub-national level. The objective of this meeting involved “socializing” or spreading understanding of the relationship between foreign policy and the sectoral policies of marine and fisheries sectors.

costs of such services, the behavior of frontline staff, and the preferences of users with respect to transaction time and costs, and degree of user-friendliness of transactions.

Subsequently, MMAF can look at some of the better examples it sees in Indonesia and around the region, in both the public and private sectors, and ask the question: “*What or how do they do what they do that we could also be doing?*” This exercise might involve looking at international private sector companies or high-performing governments like Singapore.²⁷ As part of such an exercise, the senior staff of MMAF might want to hold a facilitated retreat in order to explore the issue of service delivery, and whether MMAF should actively seek ways to improve it. Following such a retreat, an organizational change initiative might be designed that would cascade through MMAF.

An example for MMAF to consider is the Agency for Marine and Fisheries Human Resources Development (AMDHRD), which supports Human Resource Development through training courses and counseling in fisheries to local communities. AMDHRD’s service delivery is potentially applicable to the Center for Counseling Development (*Pusat Pengembangan Penyuluhan*) through the dissemination of technology-based research to the local community.²⁸

Service delivery effectiveness directly links to communities, and reflects the service orientation of MMAF. Echelon 1 Units of MMAF all deliver different services, based on their functions and characteristics. As part of their activities, all MMAF Echelon 1 Units could coordinate closely with provincial governments. Implementing units could also seek suitable feedback, to allow the Ministry to shape an integrated service delivery system. They could create a matrix for tracking their activities, to improve their quality of service and avoid overlapping services. The Agency for Marine and Fisheries Human Resources Development could serve as a facilitator in establishing Customer Satisfaction Surveys. It may need to create an independent unit to manage such a program.²⁹ During the course of a retreat to look at possible ways to improve service delivery, MMAF DGs, directorates, and bureaus might be asked to analyze who their customers and clients are, perhaps dividing them into primary, second, and tertiary groupings, as a way to prioritize their clients and their need for services. Then following such an initial analytical exercise, each office might be required to conduct a Customer Satisfaction Survey, in order to find out what their various customers think about the quality of services they currently receive. Based on the data received from such surveys, MMAF’s offices might then begin working systematically to improve their performance as service providing offices. If such an initiative goes forward, it could probably begin at the highest levels of MMAF with the Senior Management of the Ministry, and then cascade through the organization down to the smallest offices.

²⁷ Eventually, if MMAF finds suitable models for such exercise, MMAF might want to consider “benchmarking” itself against some other institutions it finds particularly relevant. This is a common management practice, which might help an organization like MMAF find role models, and then measure its own progress against those models. The Government of Singapore might provide some relevant models in areas like licensing and certifications.

²⁸ The role of AMDHRD is to take responsibility for the Marine and Fisheries human resources development, but this is still not being fully implemented. This is happening because community training programs, as also done by Unit 1 Echelon staff and other ministries and institutions, are not yet well-integrated. For example, in establishing training for coastal communities, AMDHRD was excluded and the course only involved the DG of Marine, Coasts, and Small Islands, the Agency for Development and Research, and the Ministry of National Education. Such activities should be based on intensive coordination with MMAF, since the activities are targeted at coastal communities.

²⁹ In future MMAF may want to look beyond the training that the Agency for Marine and Fisheries Human Resources Development (BPSDMKP) does, and also assess its educational and counseling programs to see how these can support more thorough development of marine and fisheries development.

Possible Strategies for Enhancing Service Delivery

- **Design and implement a ministry-wide service improvement program** -- MMAF could consider contracting an external and independent consultant to assist it developing a service delivery improvement program. Having an independent consultant could be critical to address misperceptions that may arise concerning the changes required to improve service delivery. Because service improvement requires reforms, there are likely to be natural resistance to the changes. If the change agents are solely internal MMAF units, they could be placed in conflict-of-interest situations. To help remove perceptions that may arise that service improvements are motivated by reasons other than objective reasons of satisfying the citizen-customer, it might be worth having a credible independent consultant or firm to help with the job.
- **Conduct periodic Customer Satisfaction Surveys** -- If MMAF elects to implement a service delivery improvement program, then every few months, or at least once a year, new Customer Satisfaction surveys might be commissioned and the data from such surveys could feed back into the organization to allow it to make incremental improvements to the quality of its service effectiveness. Customer Satisfaction Surveys represent an important “feedback loop” that can be used to improve service delivery.
- **Enlist internal Agents of Change** -- In addition to considering having an external and independent consultant to assist in the design and delivery of a service improvement program, perhaps the Department for Training and Human Resources Development (HRD) in MMAF could become a key part of the “Agents for Change” that could be tasked to assist the external consultant in designing the Customer Satisfaction Surveys. In some cases, perhaps they could also be tasked with carrying out the surveys. Then, at a later phase, after the data comes back, HRD might be charged with helping to nurture a stronger service orientation in the corporate culture of the individual offices with which they work.
- **Builds service linkages among MMAF offices** -- Improving service delivery will require that the many offices that constitute MMAF work more closely together. It would mean improving communications and coordination among the various offices, departments, agencies. In this respect, a number of the suggestions in the previous sections of the report apply as well:
 - Clustering DGs into larger working Groups could help aggregate or link shared interests across MMAF;
 - Establishing Group-level Secretariats to help knit together various DGs and units;
 - Joint strategy planning and budgeting by Groups could foster a broader vision for DGs that compose a Group;
 - Establishing Geographical or Regional Desks could improve outreach and service delivery, better linking the technical functions of the Ministry with specific regions of the country, and perhaps better linking MMAF with its clients and customers; and
 - Strengthening the Bureau of Planning to play a Policy Planning role might improve the Ministry’s overall policy making process, by reaching across various DGs and synthesizing their needs and priorities into the Ministry’s overall policy formulation process.
- **Consider making Service Delivery Excellence a long term agenda** -- Enhancing service effectiveness represents a long-term challenge for any organization. MMAF might consider committing itself to such a long-term program. Improvements in one area in MMAF, (for example the Research Agency) could help improve service effectiveness in several areas (like surveillance, aquaculture, capture fisheries, or marine, coasts and small islands). Improvements in the quality of service delivery by the Training and HRD Unit could ripple across MMAF. Improvements in the

Aquaculture DG might spill over to improve the on-going work of the Marine, Coastal and Small Islands DG. Improvements within the Aquaculture DG might also inform the program activities of the Capture Fisheries DG. For example, tuna “farming” might become a new function that is shared between the Capture Fisheries and Aquaculture DGs. Improving the “structure” of the coastal breeding grounds by increasing the quantities of seaweed being grown off-shore might become a shared goal involving the three DGs: Capture Fisheries, Aquaculture, and Marine, Coastal and Small Islands.³⁰ Program initiatives like abalone farming might involve the Aquaculture DG working together with the Marine, Coastal and Small Islands DG. Strengthening the Bureau of Planning might lead to greater policy credibility in the work of the Secretary General and the Minister, as well as improving the work of all the line DGs.

Service effectiveness is a critical part of MMAF’s mandate and a core responsibility to the citizens of Indonesia. Sometimes, when a Ministry gets caught up in the day-to-day work of being a government Ministry, it is easy for service effectiveness to be overlooked, or become relegated to a secondary priority. Almost nothing, however, is more important to Indonesia’s marine sector than how well and how effectively MMAF reaches out to its clients, customers, and ultimately to the citizens of Indonesia.

IX. MMAF’S EXTERNAL RELATIONS

MMAF has several major coordination issues with other government ministries and agencies. Of these various issues, this study focuses on three major issues, namely (1) fishing vessels control and registration, (2) marine transportation services provision for remote and small islands, and (3) education and training for small islands community development. These problems of coordination need to be addressed because they impinge on MMAF’s effectiveness across its four key functional areas.

Dealing with the coordination issues in these three areas involves five other government agencies, as follows:

- (1) ***Fishing vessels’ control and registration*** (this issue involves the DG of Sea Transportation in the Ministry of Transportation - DGST-MOT);
- (2) ***Marine transportation services*** (this issue concerns the Fiscal Agency in the Ministry of Finance (FA-MOF); the Directorate of Transportation in the National Development Planning Agency (DT-Bappenas); and PT. Pelayaran Nasional Indonesia (PT. PELNI).
- (3) ***Education and training*** (this subject involves the Research and Development Agency of the Ministry of National Education -- R&D-MONE).

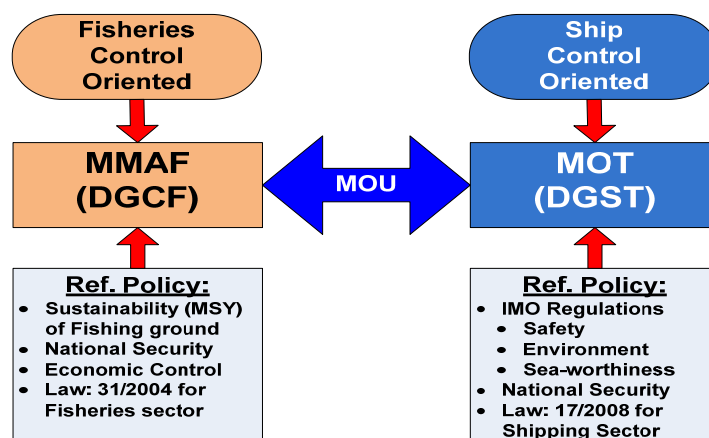
In the following section, we describe the nature of coordination problems in these three areas.

1) ***Fishing vessels’ control and registration***

³⁰ Improving the structure of the ocean, or ‘ocean farming’ by increasing the amounts of seaweed being grown off shore already serves as an important commercial crop for local sea farmers, but it can also provide an improved habitat for off- shore aquaculture, perhaps permitting the increased farming of higher value commercial species like lobster, and abalone. Furthermore, the increased farming of seaweed provides an improved habitat for spawning, permitting more baby fish to hide among the seaweed, while growing up to become cacheable products, which would eventually become targets for the Capture Fisheries Division. In effect, such work would be establishing a virtuous circle.

Both MMAF and DGST-MOT by law have shared authorities in marine affairs. The agencies' common areas range from granting ship licenses (including fishing vessels) to protecting the ocean from pollution. The work of MMAF is governed by Law No. 31/2004 on Fisheries Regulations, while the operations of DGST-MOT abides by Law No. 17/2008 on Shipping Regulations. There are articles and chapters in both Laws that give similar mandates to both government institutions. This overlap has caused operational issues in the field due to conflicting policies and regulations arising from both ministries. In July 2008, the affected DGs of both ministries signed a Memorandum of Understanding that aims to reduce operational conflict and legal misinterpretations in the field. The following figure depicts the linkage between the two DGs of the two ministries:

Figure 8. Linkage between DGCF-MMAF and DGST-MOT



The overlaps in the two DGs cover two areas, Fishing Vessel Registration and Tariff Regulation and Fishery Harbor Master (FHM) Authority. With regard to Fishing Vessel registration, a key source of the overlap is the fact that the DGST-MOT is given licensing authority under the regulations of the International Maritime Organization (IMO). Because the MOT is the institution representing the Government of Indonesia in the IMO, all regulations of IMO are coursed through the MOT. Thus, while the MOT issues the license to the fishing vessel to sail, it is MMAF that issues the license to fish. Operationally, the jurisdictional conflict is reflected in the roles of the Harbor Master and the Fishery Harbor Master.

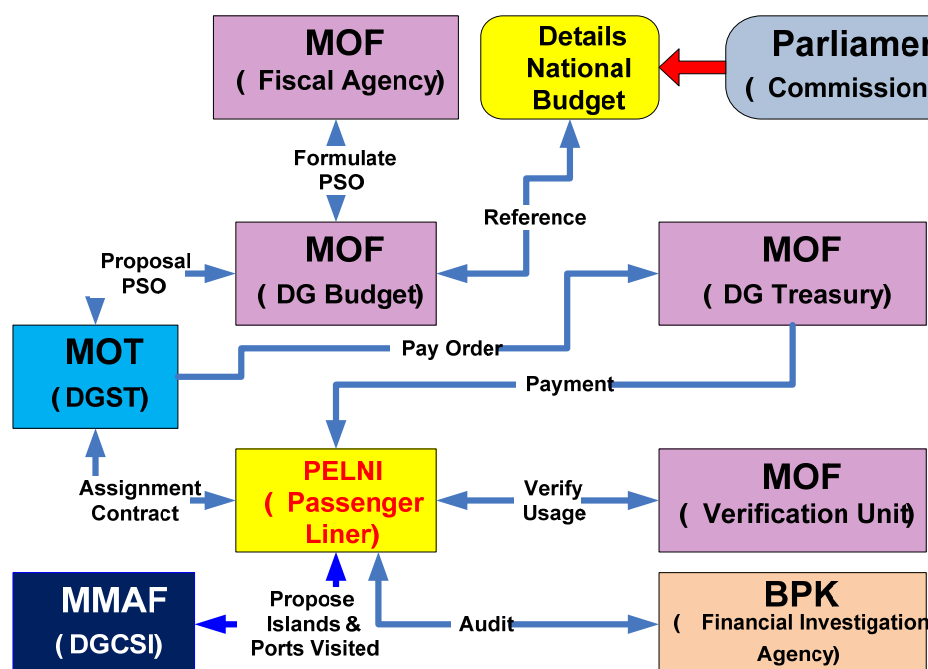
With regard to Harbor Master (HM) authority, both MMAF and MOT have shared authorities. MMAF's authority comes from Law no. 31/ 2004 and while the MOT's is derived from Law no. 17/2008. The Harbor Master (HM) function in any port is a vital component in maritime affairs. It is responsible for oversight of shipping functions such as transport, storage facilities, and fishing tools in fisheries industries. In addition, the HM is responsible for a ship's compliance with safety and security regulations before departing a port. A marine inspector in the port performs this inspection. In Indonesia, when a ship is catching or carrying fish products, the inspector would be from MMAF, known as the Fishery Harbor Master. The purpose of the inspection is to regulate the catch of fish and marine products catch in accordance with applicable conservation laws and regulations.

Both ministries have recognized the need for cooperation due to their shared authorities. This has been reflected in a recent effort of MMAF to set up set up a joint training course with MOT for a Fishery Harbor Master training course. This inter-agency cooperation is a step in the right direction that needs to be deepened.

2) Marine transportation services (inter-island shipping)

The Fiscal Agency of the Ministry of Finance (FA-MOF) is a relatively new institution whose role is to formulate budget plans across ministerial levels, particularly in relation to the provision of government subsidies. The role of FA-MOF includes providing budget calculations for subsidy in passenger marine transport. In coordination with DGST-MOT, the FA-MOF develops an annual budget called the *Public Service Obligation (PSO)*. This budget deals with support for a state-owned shipping line to serve remote and small islands -- PT. Pelayaran Nasional Indonesia (PT. PELNI). This budget is then proposed to the Director General for Budget (DGB-MOF) that in turn is submitted for approval by the Parliament. The following figure shows the nature of the linkage among these entities:

Figure 9. Linkage between DGCSI-MMAF and other External Institutions



In this budget process that affects transportation to and among small and remote islands, MMAF is not involved even though it could influence the performance of MMAF's activities such as the empowerment program for communities in remote and small islands. Although MMAF is not consulted in the above budget process, the ministry, through the DG of Coastal and Small Islands (DGCSI-MMAF) has sought to influence inter-island transportation routes. In 2005 DGCSI-MMAF signed an MOU with PT. PELNI to provide services to small and remote islands in several regions in Indonesia. These new passenger sea routes have improved the supply of basic commodities, reduced prices, and improved market access. To date, at least three new passenger sea routes have been introduced. These routes cover two northern territories -- Natuna islands (adjacent to Malaysia/ Vietnam) and Miangas Islands (adjacent to the Philippines) -- and one south-eastern territory, Tual islands (adjacent to Timor-Leste/Australia, and Papua New Guinea).³¹

³¹ From MMAF's perspective, inter-island shipping is also crucial to national integrity and sovereignty. It was pointed out to the EGE team that the resolution over the ownership of Sipadan-Ligitan islands in early 2003 between Indonesia and Malaysia was a very good lesson. The International Court ruled that the islands belonged to Malaysia because the island's development was done by Malaysia. This incident has served to show that failures of the central

In the above issue, the Directorate for Transportation of the National Development Planning Agency (Bappenas) is a key player because it is responsible for ensuring adequacy of marine transport infrastructure covering passenger sea routes and ports in small islands. Although the introduction of the Regional Autonomy Law in 2000 has reduced the sphere of DT-Bappenas and transferred much authority to regional levels,³² the agency's role area in marine affairs is still key because of its responsibility for national planning. Marine transport planning in Indonesia is necessarily a national-level issue because it involves linking the country's islands. In this respect MMAF and DT-Bappenas need to improve their planning with respect to the national-level marine transportation development program.

3) *Education and training*

MMAF seeks to provide customized education programs in small and remote islands to help advance the ministry's goal of economic development for these islands. This is a role played both by its Human Resource Agency and the DG of Coastal and Small Islands. This MMAF role is in support of Law No. 20/2003 on National Education System. At the same time, the Ministry of National Education, through its Research and Development Agency, is involved in designing and delivering programs for and ran by regional governments. In 2007, R&D-MONE designed such a special education program run by regional governments (i.e. run by regency levels and supervised by provincial levels). This program was created in response to low education levels in local communities. It aims to overcome barriers such as access difficulties due to the scattered locations of small islands and the dispersion of potential pupils.

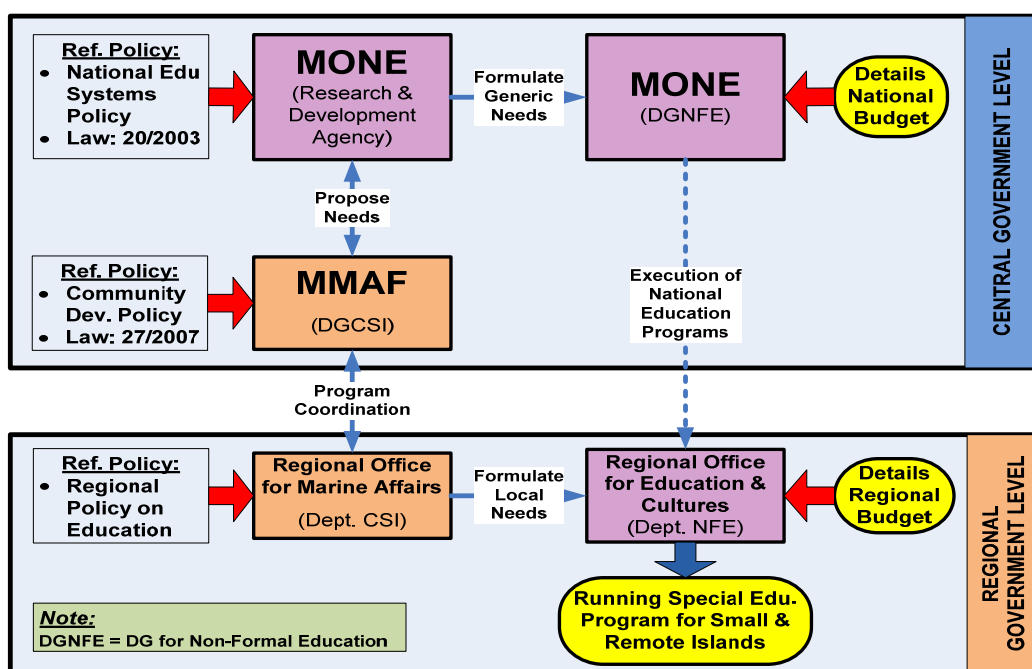
Based on EGE interviews, it has been observed that there is a need for inter-department coordination between MMAF and R&D-MONE, from program development to delivery. At present, there is little consultation between the two agencies, and this has resulted in training programs of both agencies that may not fully address the needs of small and remote islands. Such consultation is needed to cover the full range of educational needs of small and remote islands, namely:

- Formal Educations (Elementary and Junior levels)
- Non-formal Education (Vocational training)
- Training for specific skills such as small-scale capture fisheries techniques, repairs and mechanics, sewing techniques, computers, fish processing, etc.

government to develop outermost islands may result in acquisition of such islands by neighboring/ adjacent countries.

³² Prior to decentralization, development planning was driven by the central government. Regional governments (i.e. provincial and regency levels) proposed and then followed development plans defined by *Bappenas*. This process made *Bappenas* a key player both in planning and budgeting across ministries, acting as a 'conductor' in the 'orchestra' of the cabinet. However, with the implementation of regional decentralization Law, the process of development planning and budgeting requires greater attention to regional levels.

Figure 10. Linkage between MMAF and MONE at Central–Regional Level



Possible Strategies for Improving External Relations

- **Review and amend relevant laws, specifically the Fisheries Act and the Shipping Act to streamline overlapping jurisdictions and establish greater cooperation between MMAF and the Ministry of Transport.** The amendments to the law would build on the MOU between MMAF and MOT. The amendments could include specifying that the Fishing Vessel Registry and *all fishing vessel-and operation-related* certificates be the sole responsibility of the MOT, whereas the licenses for fishing areas, fishing gear and *all ocean resources-related* should be the jurisdiction of MMAF.

In addition, the amendments could clarify Harbor Master operations. The function of the Fishery Harbor Master (FHM) under Law No. 31/2004 could be under the control of the Harbor Master (HM) under the Law No. 17/2008. This would streamline operations and avoid jurisdictional questions. This would mean that the FHM will be responsible for the inspection of the conditions and documents of fishing vessels, after which he or she will report it to the HM. This coordination could apply for fishing vessels in port or departing. This arrangement will reduce the government's operational costs and reduce transaction costs of fishing vessels while at the same time increasing effectiveness in fisheries oversight. It is also suggested that the term 'Fishery Harbor Master', which is not a commonly used term in international maritime discourse, be replaced with the term Fishery Inspector or *Inspektur Perikanan*.

- **Establishing or strengthen MOUs with the Fiscal Agency, Ministry of Finance (FA-MOF); the Directorate of Transportation, National Development Planning Agency (DT-Bappenas); and PT. Pelayaran Nasional Indonesia (PT. PELNI) to enable MMAF to provide guidance to these different agencies on improving marine transport services that could help enhance economic development of coasts and small islands.**

MMAF could establish or strengthen MOUs with these various agencies that each have a role to play in the determination and sustainability of marine shipping routes that have direct a bearing on the

development of remote and small islands.³³ With respect to PT. Pelni, the existing MOU between MMAF and PT. PELNI could be broadened to include getting better data and information on the flow of passengers and goods to and from remote and small islands. MMAF through its Center for Data and Information (*Pusat Data dan Informasi/PUSDATIN*) could supply the data format and computer operators to capture the movements of goods and passengers, whereas PT. PELNI could provide the needed ICT (Information and Communication Technology) on-board its passenger ships. By updating data and information in a regular basis, a database on small islands activities could be established and analyzed. This data and analysis could be used also for the reports on small islands development published by the Agency for Central Statistics (*Badan Pusat Statistik or BPS*).

In addition, an MOU could be developed among MMAF, the Directorate of Transportation, National Development Planning Agency (DT-Bappenas), and the MOF's Fiscal Agency to ensure improved coordination among the three agencies. The MOU could specify how MMAF's inputs can be channeled more effectively in Bappenas' planning process and MOF's budgeting process, specifically on where subsidies are provided in PT Pelni's marine transport routes. Regarding the existing MOU between DG Capture Fisheries and between DG Sea Transportation of MOT, the MOU could be reviewed to include greater consultation between MMAF and MOT on reviewing and directing shipping routes that are proposed by MOT to MOF for subsidy.

- **Develop a Memorandum of Understanding (MOU) between MMAF and the Research and Development Agency of the Ministry of National Education in designing and delivering customized education and demand-driven training for small and remote islands.**

An MOU between MMAF and MONE could recognize the need for cooperation and consultation in addressing the particular educational needs of remote and small islands. The MOU could specify consultation on various levels of education, including formal education (Elementary and Junior levels), Non-formal Education (vocational training), and training for specific skills such as small-scale capture fisheries techniques, repairs and mechanics, sewing techniques, computers, fish processing, etc.

X. CONCLUSIONS AND RECOMMENDATIONS

Based on the foregoing analysis of the core functions of MMAF, we think MMAF can significantly improve its performance as a ministry if it rethinks and reforms key aspects of its core functions and addresses gaps and overlaps in its external relations. To accomplish this, MMAF may want to gather important related units within the Ministry to review the recommendations given below, and determine how to best proceed with these assessment results and recommendations. Some recommendations will need to be studied comprehensively.

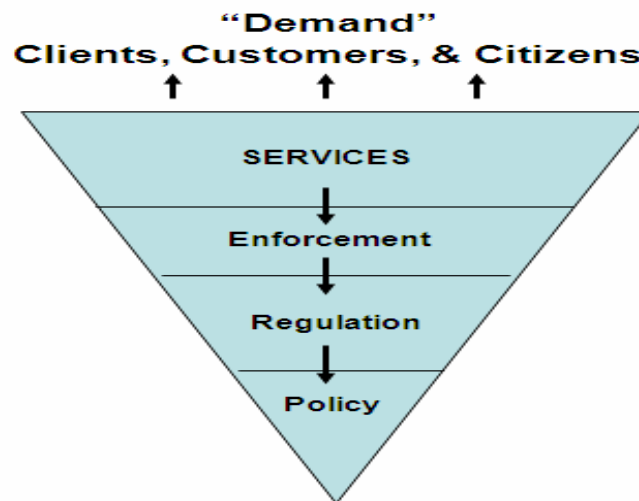
To begin with, MMAF could reconsider the conventional understanding of the priority and placement of the four core functions of ministries. At the start of this analysis, we described a pyramidal operating structure where policy is at the apex of ministry work, providing cascading effects in regulation, enforcement, and service delivery. We suggest that a “paradigm shift” of this pyramidal perspective could be a powerful impetus for refocusing the ministry towards producing results that matter to its customers

³³ The main idea with the MOUs and supplementary agreements is the importance of technical cooperation between MMAF and the related institution(s), both with Government institutions and NGOs. The Echelon IV units under inter-institutional cooperation could include (i) an internal technical cooperation subsection; (ii) an offshore technical cooperation subsection, and (iii) an NGO technical cooperation subsection.

and stakeholders. In this regard, we suggest that inverting the pyramid to emphasize service delivery could be a way of rethinking how the ministry can improve its policies, regulation, and enforcement towards meeting the demands of its users. In the end, policies, regulation, and enforcement matter only to the extent that they enhance the delivery of services to the public and the enhancement of public welfare.

This shift in perspective may be illustrated by the following figure of the inverted pyramid, where service delivery becomes the first priority, focused on satisfying, if not exceeding, the demand clients, customers and citizens:

Figure 11: Prioritizing Service Delivery in Ministry Functions



Thus, to make the ministry more focused on service delivery and meeting the demands of its users, we make a number of suggestions rather than explicit ‘recommendations’. Improving the administrative operations of a complex structure like MMAF is as much an art as it is a science. For this reason MMAF and its stakeholders should test, probe, and assess the utility of these suggestions, and modify or adapt them as they see fit, in order to come up with strategies that fully address the real needs of the Ministry. The suggestions that follow reiterate for emphasis points that were previously described in the preceding sections.

Suggestion # 1: MMAF could consider strengthening the service orientation among its DGs, directorates and bureaus. If the Ministry elects to proceed with such an exercise, then individual units of MMAF might initially be tasked with mapping out their client and customer bases. They could begin by asking questions like: *Who are our clients and customers? How well are we serving them? What do they think about our services? Do these clients and customers have competing demands? How should these demands be reconciled?* In addition, the individual units, (probably with help from the senior management of MMAF, and perhaps eventually with help from MMAF’s Training and HRD Unit) might want to develop specialized survey forms to measure Customer Satisfaction and Customer Feedback relating to the services that are being provided. It is important to note that for the purposes of such an exercise, ‘internal’ clients’ are as important as ‘external’ clients, since several units of the Ministry primarily serve clients internally within MMAF. Once suitable Customer Satisfaction Survey Forms are designed, they should be given both to internal and to external clients of individual DGs and Agencies. Sometimes there may be tensions between meeting the requirements of one client compared to another. This proposed mapping and analytical exercise to clarify clients and gauge their current levels of satisfaction might help DGs and agencies: (i) analyze their strengths and weaknesses; (ii) assess how well they are serving their various clients; (iii) prioritize among competing clients and stakeholders; and (iv)

improve service effectiveness. Such an exercise typically would need to go on for several years, with incremental improvements happening year by year.

In addition to directly concentrating on technical teaching at the Fisheries University and related MMAF technical academies, the HRD unit might broaden its approach to include other curricula specifically relevant to the management side of MMAF. Currently, when MMAF wants to send someone for professional development training, for example, they often send them away to a university. Some, or perhaps most of this training might be done in house, through enhanced in-service training, probably utilizing the expertise of the HRD section of the Ministry.

Suggestion # 2: MMAF could experiment with organizational clustering, informally combining DGs and agencies into Groups. Several mechanisms could help link together the clustered MMAF units that fall within a Group. One suggestion to help consolidate such linkages, for example, might involve creating a Secretariat, where a limited number of staff from the participating DGs' management teams would be assigned and physically co-located in the same office suite with staff from other relevant DGs. This Secretariat, in turn, would be tasked with developing joint strategies, budgets, and work plans for the new Group. Individual members of such a Secretariat would continue to work under the immediate supervision of their individual Director General. Such a Secretariat might help knit the various DGs together into a more cohesive working Group. A similar Coordinating Secretariat might eventually be designed to link together relevant Groups of MMAF. Such a Secretariat for all MMAF "Groups" might report directly to the Minister, depending upon how the Minister and his Secretary General decide to allocate work responsibilities.

Potentially related to this clustering, the Secretary General's Office might consider shifting the Fish Quarantine Unit to an appropriate technical unit of the Ministry. Quarantining fish does not appear to be a "staff" function, and thus would not seem to be a normal part of a Secretary General's operations. For this reason it might be appropriate to transfer this responsibility to a "line" department of the Ministry. It might be added to the responsibilities of the Fisheries Group, for example, if such a Group is established, and if it fits well into that Group's responsibilities. Or it might be added to MMAF's Enforcement Group, since quarantine may be a legitimate 'Enforcement' function.

Suggestion # 3: MMAF could assess whether Regional Desks have utility to MMAF. MMAF is primarily a natural resources management organization, structured around its technical functions, concentrated in the five DGs. While this technical concentration is entirely appropriate, there might be utility to establishing Regional Desks to improve customer outreach to particular parts of Indonesia. Such Regional Desks might be organized around major Island groupings (Sumatra, Kalimantan, etc) or simply organized geographically (the Western Indonesia Desk, Central Desk, Eastern Desk, etc.) Some questions to ask in exploring this suggestion would be as follows: *Would such Desks help improve internal coordination by cross-linking technical functions with a geographical focus? Would they improve MMAF's abilities to link more effectively to its various clients and customers? Would Regional Desks make it easier for clients and customers to access MMAF? Would they serve as a kind of functional bridge between Jakarta and the Regions?* A variation on this idea that MMAF might also want to explore could involve combining some specific geographic focus with certain technical concentrations. Thus, MMAF might consider establishing: (i) a Marine Rehabilitation focus probably combined with seaweed farming for Western Indonesia and North Java; (ii) a Marine Conservation focus for spawning grounds, which would be nation-wide; and (iii) a focus on sustainable Fisheries Capture, concentrating on Eastern Indonesia

Suggestion # 4: MMAF could consider strengthening the Bureau of Planning to serve as a effective policy-planning unit. The Bureau of Planning could expressly set up a separate unit of four or five relatively senior Indonesian professionals, with an appropriate mix of skills in the technical aspects of Marine affairs, fisheries, the social sciences, and policy formulation. The data and judgments of this unit

would come primarily from internal MMAF sources, meaning the Minister, the Secretary General, the various DGs and other units within MMAF, but also to some extent important external clients. There might be a need for public hearings to explore the implications of various possible policy options. Eventually draft policies would be forwarded on to the Minister and MMAF's senior management for review, revision, and/or ratification. The Unit would report to and be supervised by the Secretary General. The key questions for MMAF to consider: *Would such a unit be able to process inputs from various clients and customers and then turn such inputs into draft MMAF policies? Would such a mechanism represent an improvement over MMAF's existing policy-making processes?*

Suggestion # 5: MMAF could explore mechanisms to improve Public Relations, Public Outreach, and Public Education. MMAF is to be commended for its work to date to develop a useful and interactive web page. This serves several important functions, particularly for citizens with easy access to computers. More could also be done in terms of MMAF's outreach through television, radio, cinema, puppet shows, and various social marketing techniques (advertisements, billboards, campaigns) to explain: (i) the general mission of MMAF and (ii) to sensitize Indonesians to the importance of their larger marine environment, its potential fragility, and sustainable strategies for resource management. Such Public Relations and Public Education might target all the major population groups in Indonesia. If different messages are required, for example, by different islands or different regions of the country, then outreach and public information might need to be customized and regionally focused by island groups. It might also be targeted by class, age, and if appropriate perhaps even by gender. It could seek to reach all age groups, including both rural and urban populations. It could seek to engage with the most literate and educated sectors of the society, as well as the least educated. Such outreach would probably need to become an on-going and continuing part of MMAF's routine programs for the indefinite future.

- **Example:** In the United States, the Forest Service has created a character named "Smokey the Bear." In Indonesia, MMAF might explore the utility of creating something like "Kiki the Turtle", or whatever Indonesian social marketing experts determine through focus groups to be the optimum approach that would resonate most effectively with the Indonesian public. It will be important to identify the most appropriate techniques for communicating social marketing messages relating to the marine environment, conservation, sustainable harvesting, etc. MMAF might want to explore options with relevant NGOs and donors as it seeks funding for such expanded outreach and public education programs. Some NGOs probably are already doing some of this work. Perhaps they could be encouraged to work more closely with MMAF, and perhaps broaden their messages, to help reflect the overall interests of MMAF, as representatives of the people and the Government of Indonesia.

Suggestion # 6: Research might be linked more directly with other on-going programs of MMAF. The Research Agency in MMAF could conduct properly designed internal Customer Service Surveys to clarify what its internal Ministry customers would like to see in the form of research products. Their answers, in turn, might need to be balanced against the demands or requirements from the Research Agency's external clients and stakeholders. The results from such surveys might permit the Research Agency to link competing demands for research products with available staff and budget resources. This would be helpful in the design of their annual research programs. Further, if MMAF elects to strengthen the Bureau of Planning for policy planning purposes, then this unit also might work closely with the Research Agency as well as other relevant MMAF units to establish the Ministry's overall research agenda. These approaches might ensure that research products from the Research Agency are closely linked with broad needs of the Ministry, while also meeting the needs of MMAF's external clients.

Suggestion # 7: MMAF might explore ways to expand its Fisheries Extension Functions, particularly focusing on the areas of Marine, Coastal and Small Islands, and Aquaculture production. As capture fisheries stocks decline around the world, Indonesia may find that it needs to put more emphasis on

aquaculture, and into Marine, Coastal and Small Islands. This, in turn, may require MMAF to put more emphasis upon a marine-oriented extension service and the delivery of relevant outreach and extension messages to fish farmers, and more broadly to fishing communities. Some of this extension work might be done indirectly through public education; however, much of it will probably have to be done ‘retail’ by working at the client or customer level. The HRD unit is doing a lot of training at academies, and the Fish University. Over the next few years, there may be a need to expand this extension function from a wholesale level (teaching students, or training of trainers) to retail extension (teaching fish farmers in their individual communities.)

Suggestion # 8: MMAF might want to consider making the Staff of the Inspector General’s Office full time professionals. Currently, various MMAF staff are rotated through the IG’s office on relatively short assignments. The EGE Team was advised that about 50% of the IG’s 211 staff are essentially on short-term deputation for one to two years, after which they return to their original department in MMAF. The general practice for most Inspector General’s Offices around the world, by contrast, is to have specialists, rather than generalists, serving in the IG, who usually are assigned full time to the IG unit, as part of their long-term career. Further, various training courses exist around the world that might be used to teach or upgrade the skills of MMAF’s IG staff, in order to give the IG enhanced specialized expertise. With support from one or more donors, MMAF might want to consider fellowships or scholarships for training in various countries around the world. As an alternative, and perhaps more cost-effectively, the IG Unit, probably working with the Training and HRD Unit, might want to conduct periodic specialized in-service training for IG staff at facilities somewhere in Indonesia.

Suggestion #9: MMAF could establish a results-based performance management system. The reforms that would be needed to establish a results-based system will need to start *small and focused*. The reforms need to be sequenced and scaled up across the organization when milestones and targets are met. The reforms also need to be cognizant of resistance to change that is normal in any organization and hence must be sufficiently resourced to overcome opposition. There are a variety of ways to begin and sequence the process. The Secretary General could start the process by establishing delivery targets for selected activities. DGs could sign “contracts” with specific measurable targets. Performance contracts with pre-defined objectives could then be tracked on a ministry website open to all. The success stories could be publicized and publicly rewarded. The Secretary General could identify high profile projects that could be used as a showcase for the Ministry. Director Generals could be asked to do the same within their DGs. Project management, procurement, and service delivery could all be benchmarked to establish targets for good management. Comparisons could be set up among projects that have similar qualities. Deadlines, financial management efficiency, and procurement of inputs, as well as project outcomes could be compared across different sectors within the ministry. Successful examples from other countries could also be publicized.

The Finance Ministry has already undertaken a number of the proposed reforms essential for a performance based management system. Job evaluations and grading have been introduced; structural positions have been replaced by functional positions. Staffing decisions are now made according to operational requirements. A balanced scorecard methodology now allows the DGs to move people that do not meet their targets. A commissioner has been charged with determining appropriate pay levels for different types of activities. A single consolidated salary scale has been established for each position. The Ministry of Trade is also moving in the direction of performance-based management. These reforms might serve as models for what could be established in MMAF.

Suggestion #10. MMAF could make the Budget a more effective management tool. The Office of the Secretary-General – with its planning and budget office functions -- is perhaps in the best position to ensure that high-level decision-making involving policies, regulations, enforcement and service delivery are integrated in fiscal calculations. This could be done in the context of a medium term horizon with the ministry’s strategic plan explicitly linked to the budget. All major policy and fiscal decisions could be

specified within a unified policy and fiscal planning system that includes credible, multi-year macroeconomic, expenditure, and revenue forecasts. The Secretary-General could ensure that the strategic plans prepared by the DGs are directly linked to their fiscal implications.

As discussed earlier, the DGs could transition from output to outcome budgeting and consequently develop performance measures for their goals and outcomes. The Secretary General, with backing from the Ministry, could lead periodic reviews of how each DG is performing relative to its measurable outcome/output goals.

Suggestion #11. MMAF could undertake a regulatory reform program that would assess and adjust the Ministry's regulations to ensure they are consistent with policies and intended impact. This regulatory reform program could be spearheaded by the Agency for Research, which under the proposed clustering approach, could serve a cross-cutting function among the clusters/groups. The Agency would be trained on regulatory review tools and would subsequently apply such tools (such as cost-benefits analysis and risk assessments) to analyze the effects of MMAF's rules and regulations. Are regulations achieving their intended impacts? Are there hidden costs and unintended consequences? Among the policies and regulations that could be reviewed are: licensing rules and procedures, the grants guidelines for aquaculture activities, certifications for firms, etc.

In addition, MMAF could consider the utility of the conditionality of foreign direct investment in the issuance of licenses to foreign vessels. The restrictions against licensing foreign vessels has reduced MMAF's annual licensing revenues in fishing from a high of 500 billion rupiah in 2004 (about US\$ 42 million in 2009 rates) to just over 64 billion rupiah in 2008 (January to October collections, which would be about US\$ 5.4 million). This sharp drop in revenues has not been made up by foreign direct investments that were supposed to be a requirement for licensing foreign vessels. Moreover, the problem of IUU fishing persists. A challenge could be to tighten controls in the licensing process at the DG of Capture Fisheries and giving the DG of Surveillance and Control more resources for capacity building. Enhancing controls in the licensing process would entail greater research on the operations of that process (far beyond what this study did) to be able to address its vulnerabilities.

Suggestion #12. MMAF could consider strengthening the Law Enforcement operations in the DG of Surveillance and Control through a capacity-building program for investigators and establishing a comprehensive case monitoring system. Effective investigation is fundamental to enforcement. The DG could use assistance in establishing a comprehensive case monitoring system that will enable it to analyze the cases and develop better investigative strategies. At the same time, the DG could benefit from capacity building of its investigative staff. Based on its sketchy records, it seems that the number of acquittals are relatively high, suggesting that the quality of investigation could be a factor.

As part of the effort to strengthen enforcement, MMAF could consider recommending to the High Court that it expand the number of Fisheries Courts and link the location of additional courts to where IUU cases are increasing. The dispersed and far-flung location of the 5 fisheries courts is not conducive for transporting captured IUU violators. MMAF could study this subject further and assess the utility of requesting the High Court for such expansion and/or strategically relocating the Fisheries Courts according to where the highest volume of IUU cases are emanating.

Suggestion #13. Consider the development of a "Community Fisheries" programs, building on the Ministry's ideas for "a community-based fisheries surveillance system". This "community fisheries enforcement program" could be complemented by increased strategic targeting of MMAF's patrol fleet. As discussed in the preceding section, the notion of community fisheries builds on the concept and relative success of "community forestry". This is not a new idea to MMAF and could conceivably be given greater attention through the work of the DG of Marine, Coastal and Small Islands. In addition, this

approach could be complemented by improved targeting and increased patrolling of MMAF's enforcement fleet in fishing grounds with high IUU incidence.

Suggestion #14: MMAF could consider amending Law No. 31/2004 (the Fisheries Act) in relation to Law No. 17/2008 (the Shipping Act) to streamline overlapping jurisdictions with the Ministry of Transport. The amendments to the laws could give primary jurisdiction over the Fishing Vessel Registry and *all fishing vessel-and operation-related* certificates to the MOT, while MMAF would be responsible for the licenses for fishing areas, fishing gear and *all ocean resources-related* issues. Amendments could also clarify the role of Harbor Master under MOT and the Fishery Harbor Master under MMAF. The latter's function could be subordinated to the former, thereby streamlining operations and reducing jurisdictional conflicts. The FHM will have sole responsibility in inspecting conditions and documents of fishing vessels in port or departing and submit its reports to the HM.

Suggestion #15: MMAF could consider establishing or strengthening MOUs with the Fiscal Agency, Ministry of Finance (FA-MOF); the Directorate of Transportation, National Development Planning Agency (DT-Bappenas); and PT. Pelayaran Nasional Indonesia (PT. PELNI) to enable MMAF to provide guidance to these different agencies on improving marine transport services that could help enhance economic development of remote and small islands.

The existing MOU between MMAF and PT. PELNI could be improved so that its scope will include improved data gathering and analysis on the flow of passengers and goods to and from remote and small islands. MMAF's Center for Data and Information could be the principal link with PT. PELNI in developing a database on small islands activities that could also be utilized for development planning statistics prepared by the Agency for Central Statistics. The current MOU between DG Capture Fisheries and between DG Sea Transportation of Ministry of Transportation could be revised to include consultation between the two DGs on the shipping routes that are proposed by MOT to MOF for subsidy. MMAF could also develop an MOU among MMAF, the Directorate of Transportation, National Development Planning Agency (DT-Bappenas), and the MOF's Fiscal Agency on how MMAF can provide inputs in the planning and budgeting process of Bappenas and MOF, respectively.

Suggestion #16: MMAF could consider developing a Memorandum of Understanding (MOU) between MMAF and the Research and Development Agency of the Ministry of National Education in designing and delivering customized education and demand-driven training for remote and small islands.

This MOU between MMAF and MONE could ensure that consultation and cooperation between the two ministries on training and education strategies and activities in remote and small islands. The scope of partnership could involve all aspects of education (basic, vocational) as well as special skills training that are appropriate and responsive to the needs of particular islands.

Proposed Prioritization and Sequencing of Suggestions

To help clarify the possible priorities for the various suggestions given above, we have prepared a matrix (below) that sketches how these changes might be put into effect. First, some background. To formalize an organizational change process: (i) the Minister or the Secretary General typically would form a Task Force or a Steering Committee, chaired by the Secretary General or the Minister himself; (ii) this Task Force might meet approximately once a week; (iii) the Task Force would designate a small cadre of dedicated personnel to carry out day-to-day organizational change activities; and (iv) this cadre would consult with the Chairperson or an Executive Committee for the Task Force as necessary between meetings.

The first illustrative matrix (Option # 1, below) suggests a sequencing strategy for possible organizational changes. This first sequencing strategy is designed around the criteria of ‘ease of implementation,’ with easier or more fundamental tasks given in the first phase, followed by more complex “process-type” changes shown later in the proposed sequence. The logic behind this approach is that it is somewhat easier for an organization to carry out an individual discrete *Action* than it is to carry out more complex process-type changes. An Action may require only one formal decision by one (or a few) decision maker(s), after which the Action can be directly put into effect. Certain actions also will be more visible as soon as they are done, and thus will begin to achieve tangible results almost immediately, and may generate more support for further organizational change. Such changes sometimes are characterized as “low hanging fruit,” which by definition are easier to pick.

Process-type activities, on the other hand, may take months or even years to show visible or direct results, because they often call for many incremental changes. In some cases, too, an action (as shown on the first matrix below) may set the stage for subsequent more complicated procedural changes that can be put into place later on. As an example, we suggest that clustering MMAF into a few somewhat larger Groups, which we characterize as “Actions” because they might be done almost by the stroke of a Ministerial pen would be easier to carry out than, (say) a Results-Based Performance Management System, which would require a host of individual actions spread out over many months, involving many offices and development of several new systems. The results of such a Performance-Based Management System could take several quarters or years to show significant impacts or results.

We should also note that the priorities given in Option # 1 (below) are somewhat notional, and were prepared without benefit of dialogue with MMAF’s Senior Management.

As a practical matter, it is important that Senior Management of MMAF and other relevant stakeholders review both options below and then establish their own priorities and sequencing strategies, based on their own sense of how Ministry staff may react to proposed suggestions, the general politics of effecting corporate change, and the resources available to respond to expected resistance or opposition changes. In this way, the priority rankings and sequencing could become something that MMAF would own, with a broader and more robust consensus supporting it.

Table 4: Option #1 - MMAF Change Matrix, “*Priorities Ranked by Practicality*”

Proposed Action, Activity, or Process	Proposed time period	Analysis, Action, Activity, or Process
Higher Priorities:		
Experiment with organizational clustering by establishing 2 - 4 core MMAF Groups	First 6 months	Analysis, Action
Establish Management Secretariat for 1 or more Groups	First 6 months	Analysis, Action
Assess utility of Regional Desks to MMAF, and establish same if judged feasible	First 6 months	Analysis, Action
Consider making the Staff of the Inspector General’s Office full time professionals ³⁴	First 6 months	Analysis, Action
Intermediate Priorities:		
Shift the Fish Quarantine Unit to an appropriate technical unit or new Group of MMAF	After 6 months	Analysis, Action

³⁴ While this may be a relatively easy change to effect, in terms of impact upon overall MMAF effectiveness, this priority could easily be postponed until year # 2, as shown in Matrix # 2, below.

Explore mechanisms to improve Public Relations, Public Outreach, and Public Education. Identify 1 – 3 pilot initiatives for experiments.	After 6 months [continues indefinitely]	Analysis, Activities, LT process
Strengthen service orientation among MMAF's various departments, agencies, and Directorates. [Initiate client surveys, etc]	After 6 months [continues indefinitely]	Analysis; Multiple activities, LT Process
Make the budget a more effective management tool, with Secretary-General pushing transition from output to outcome budgeting	After 6 months [continuous]	Analysis, multiple activities, LT process
Undertake a regulatory reform program, with Research Agency as lead, and conducting reviews of major MMAF regulations	After 6 months	Analysis, multiple activities, LT process
Strengthen Law Enforcement operations of the DG of Surveillance and Control through capacity-building of investigators and setting up of case monitoring system	After 6 months	Analysis, Action, multiple activities
Consider establishing Community Fisheries program and linking it with strategic fleet surveillance	After 6 months	Analysis, Action, multiple activities
Second Year Priorities:		
Strengthen Bureau of Planning to assume Policy Planning role, working with Secretary-General and/or Minister's office ³⁵	After 12 months	Analysis, Action
Link research more directly with other on-going programs of MMAF	After 12 months	Activity, Process
HRD staff provides more in-service professional development training for MMAF staff	After 12 months	Analysis, Process
Expand MMAF's Fisheries Extension Functions ³⁶	12 to 48 months	Analysis, LT activity
Establish a results-based performance management system.	After 12 months [continuous]	Analysis, LT activity, process
Legislative and inter-agency administrative measures to improve linkages and address jurisdictional overlaps with other agencies (suggestions #14, #15, and #16)	After 12 months	Analysis, Action, Process

To measure USAID and Ministry progress towards implementing the various suggestions and recommendation given above, we have prepared a notional and illustrative list of possible indicators, or benchmarks. These indicators can be used to measure progress on quarterly, semi-annual, and annual bases. Much of the data needed to establish baselines, and then to measure progress beyond a baseline point would come from Customer or Client Satisfaction Surveys, which would need to be put into place in various offices or units of MMAF in 2009. Such Client and Customer Surveys could be done incrementally, starting with some of the offices that are deemed to be most important to the operations of MMAF.

³⁵ In order to target the top of the pyramid, (policy formulation), this activity might be shifted up to represent a higher priority.

³⁶ This is a high priority for EBFM and MPAs, but may require prior activities in other areas, before MMAF is structured to carry out these kinds of changes. For example, Divisions may need to be in place, and there may need to be more of a shared vision for the future activities of the Ministry.

Table 6: Illustrative Benchmarks and Performance Indicators

Recommendations	Suggested Benchmarks and Indicators
Strengthen MMAF's service orientation	<ul style="list-style-type: none"> # of workshops held relating to improved customer service; # of participants in such workshops. Conduct of baseline survey of user/citizen satisfaction of MMAF services % of increase of user/citizen satisfaction on quarterly, biennial, or annual bases # of seminars/workshops conducted on service delivery # of trainees attending Customer/client feedback data
Establishing clusters/Groups	<ul style="list-style-type: none"> # of groups/clusters informally created and functioning; total # of DGs operating as part of cluster or group; # of joint workplans, strategies, and budgets prepared for/by group or cluster; total # of cluster or group meetings called with relevant DGs attending; Customer Satisfaction Survey reports on operations of groups or clusters.
Establishing Regional Desks	<ul style="list-style-type: none"> # of Desks designated; # and qualifications of staff per Desk; # of people from regions who are using Desks to access MMAF. Customer feedback reports on Desks, including value of Desks in eyes of members of Parliament, other bureaucracies, donors, etc.
Strengthening the Bureau of Planning	<ul style="list-style-type: none"> % of increase of Bureau budget % of increase of staff # of policies facilitated by Bureau of Planning
Improving Public Relations; Public Outreach, and Public Education	<ul style="list-style-type: none"> Conduct of user/citizen feedback survey # of user/citizen awareness of MMAF work # of user/citizen approval of MMAF work # of initiatives designed and launched to improve public engagement Customer feedback reports on impact of initiatives
Research <i>support to policies and</i> linked to other parts of MMAF	<ul style="list-style-type: none"> # of research <i>based policies synthesis and/or analysis</i> of projects in process (using 2008 as benchmark); # of projects that directly relate to activities of MMAF Customer/client feedback data.
MMAF's Fisheries Extension functions expanded/improved	<ul style="list-style-type: none"> # of MMAF staff working with Fisheries extension functions. Demonstrable improvements in fisheries habitat attributed directly to work of MMAF staff. Increases in sustainable fisheries production, attributable to MMAF. Customer/client reports.
Strengthening IG Office	<ul style="list-style-type: none"> % of staff who are full time professionals, assigned full time to IG's office/? Quality of staff (by training skills levels) # of additional training sessions held to upgrade staff quality;

Recommendations	Suggested Benchmarks and Indicators
	<ul style="list-style-type: none"> ▪ Scorecards and customer feedback reports on IG's work. ▪ # of investigations conducted? ▪ # and nature of sanctions applied as a result of investigations
Moving Fish Quarantine Office to a technical unit of MMAF	<ul style="list-style-type: none"> ▪ Administrative order stipulating the move ▪ # of staff moved? ▪ Customer feedback reports on levels of service.
Performance-based management system	<ul style="list-style-type: none"> ▪ Conduct of performance management workshops ▪ Development of performance management system ▪ # of MMAF units with performance management plans ▪ Issuance of MMAF policy linking pay and budgets with performance management plan
Making the budget a more effective management tool	<ul style="list-style-type: none"> ▪ Ministerial order to shift from output to outcome performance budgeting ▪ # of offices using performance budgets ▪ # of program and personnel performance measures linked to budget
Establish regulatory reform program	<ul style="list-style-type: none"> ▪ # of regulations identified for reform ▪ # of regulations amended ▪ % change of satisfaction of citizen-customers
Strengthening Law Enforcement staff of DG of Surveillance and Control and improving judicial administration of fisheries cases	<ul style="list-style-type: none"> ▪ # of investigators trained ▪ Establishment of case monitoring system ▪ % increase of investigations advancing to prosecution ▪ % of arrests from predicted violations ▪ # of law enforcement personnel per area coverage ▪ condition of law enforcement facilities (patrol fleet, etc)
Development of Community Fisheries program	<ul style="list-style-type: none"> ▪ # of communities participating in Community Fisheries program ▪ % of area covered by community fisheries programs ▪ # of seminar or training for community fisheries ▪ # of IUU reports by the community fisheries groups

APPENDICES

Appendix 1: Scope of Work of EGE Assessment

Appendix 2: Illustrative Guide Questions to Assessment MMAF Effectiveness

Appendix 3: PowerPoint presentation of EGE findings presented to MMAF

Appendix I

Terms of Reference

ENHANCING GOVERNMENT EFFECTIVENESS IN INDONESIA: AN ASSESSMENT OF THE MINISTRY OF MARINE AFFAIRS AND FISHERIES

1.1. Background

1. Indonesia is the largest archipelagic country in the world with extremely high terrestrial and marine biodiversity, more than 17,000 islands and the second longest coastline in the world (81,290 km). The Indonesian marine area totals 5.8 million square kilometers or 2/3 of its land area. Indonesia is blessed with a richness of marine resources, both renewable and non-renewable. Renewable resources include fish, prawn, shells, sea grass, coral reefs, mangrove forests with other marine products and services such as energy (tide, wave, wind, and OTEC/Ocean Thermal Energy Conversion), environmental services (buffering of wave energy, nature tourism) and marine transportation services. Non-renewable resources include gas and oil reserves, several mineral ores such as bauxite, tin, iron seed, gold, silver, and submerged archeological artifacts.

2. The marine and fishery sector can play an important role in national economic growth and recent developments in this sector provide encouraging results. However, there are still major barriers and challenges facing the sector, as follows:

- Degradation of the environmental quality of oceans, coasts, small islands and their habitats endangers the sustainability and preservation of marine resources and fisheries.
- Dominance of the fisheries sector by traditional fishermen and mariculture farmers who have formed small-scale groups has reduced their access to broader sources of business funding.
- Sub-optimal management of the fisheries and other non-conventional marine sectors has limited the economic diversity and value of Indonesia's marine resources for stakeholders.
- Sub-optimal conservation of Indonesia's marine and fresh waters threatens sustainability of these resources and services.
- Limited support for the infrastructure needed in fishery facilities and product transportation weakens the quality and consistency of products to market.
- Inadequate processing in-situ and value-added of fishery products dilutes the economic value of fishery resources.
- Frequent natural disasters in coastal areas coupled with inadequate disaster mitigation create uncertainty in the market and damages capital investments of the smaller fishery producers.
- Intensive illegal fishing practices by foreign fishermen create huge losses to the state and coastal communities.
- Tariff and non-tariff barriers from importing countries for fishery products limit the markets and potential available to the small-scale fishers.
- Poor access to transportation, telecommunications, education and health services, especially in the remote area of coasts and small islands, limits the potential of these communities to participate in a national or global economy, and increases their health and safety risks in both work and family environments.

3. The above problems are linked to past development plans that were land-oriented (terrestrial), resulting in the lack of attention to and appreciation for marine resources and fisheries. However, if the potential of marine and fishery sectors can be tapped effectively, then the marine and fishery sectors can arguably become one of the key sources of national economic growth.
4. To enhance the utilization of marine and fishery resources, a combination of political, economic and social support is essential to help the marine and fishery sectors reach their full potential as a key component of national development.
5. Realizing the urgency to ensure the sustainable use of marine resources and fisheries for the prosperity of the Indonesian people, in late 1999 the Government of Indonesia formed the Ministry of Marine Affairs and Fisheries (MMAF). Shortly thereafter, MMAF formulated its Strategic Plan (Renstra) for 2005-2009, focused on the Policy and Development Program of Marine Affairs and Fisheries. The ministry has also worked to improve its organizational structure.
6. At present, MMAF is compiling its second 5-year Strategic Plan, for 2010-2014, which is being developed in relation to the government's Long-Term National Development Plan (RPJPN) for Years 2005-2025. In this regard, MMAF needs to formulate appropriate strategies, policies, and marine and fishery development programs that support the broader national development strategy, which is focused on being pro-poor, pro job, pro-growth, pro- business and pro-sustainability.
7. The challenges for MMAF in addressing the challenges in marine and fishery development are extensive, considering the minimal institutional capacities of the Ministry in relation to the complexity of the Indonesian government and its operating environment. Moreover, the challenges mentioned above are greatly influenced by various political, economic and social factors that require an integrated approach with other sectors and governmental institutions. At present, MMAF does not have sufficient institutional mechanisms, organizational resources, or strategic management capacity to tackle the array of marine and fishery challenges that it faces.
8. With reference to the cooperation of USAID-Indonesia with MMAF and in line with USAID's Enhancing Government Effectiveness Project, Management Systems International (MSI) and MMAF have jointly prepared this scope of work to assess MMAF. Based on this assessment, MSI will analyze and recommend measures to USAID and MMAF on how they can be more effective in assisting the Government of Indonesia's efforts to develop its marine and fishery sector.

1.2. The Governance Environment of the Marine and Fishery Sector

9. Section 25A of the 1945 Constitution (UUD) stipulates the formation of a Unified Nation of the Republic of Indonesia as a country with *Nusantara* (archipelagic) characteristics. The terminology of an archipelagic country as stipulated in the Constitution indicates the importance that the Republic of Indonesia (RI) places on its sovereignty over the territorial waters surrounding and between the islands of Indonesia. This is a united jurisdiction of the country acknowledged in the United Nations Convention of the Law of the Sea (UNCLOS) 1982.
10. On the basis of the above jurisdiction, all potential from the existing natural resources within the Indonesian marine waters belong to the territory and under the management of the Republic of Indonesia.
11. The government's management of the country's resource are mandated in several laws, among them National Law (UU) No. 31 in 2004 regarding Fisheries; Law No. 16 in 2006 regarding the Agriculture, Fisheries and Forestry Extension System; Law No. 27 in 2007 regarding Coastal and Small Islands Management; and Presidential Regulation No. 78 in 2005 regarding the Management of the Outer-Most Small Islands.

12. In 2007, the Government of Indonesia formulated a 20-year Long Term National Development Plan (National RPJP) for 2005-2025 under Law No. 17/2007. The National RPJP is used as guidance in formulating Medium Term National Development Plans (RPJM), which reflect development planning for each 5 year period in the national plan. Each national Medium Term Development Plan then becomes the basis of Strategic Plans (Renstra) and Government Work Plans (RKP) per year in each Ministry/Institution including MMAF.

13. A key Mission in the National Long-Term Development Plan for 2005-2025 is "Achieving an Indonesia as an Archipelagic country that is Independent, Advanced, Strong, and based on National Interests." This Mission is being pursued using the following approaches:

- Expanding maritime knowledge in society and government to help ensure that Indonesia's development is marine-oriented.
- Improving the capacity of human resources with a view to foster the development of marine science and technology.
- Managing the national ocean territory in order to maintain sovereignty and prosperity.
- Developing an integrated marine-based economy to optimize the sustainable utilization of marine resources and fisheries.

14. In keeping with the above mission, marine development efforts are envisioned to be conducted within a framework that promotes sustainable development and applies the principles and tools of ecosystem-based management (EBM). EBM will be applied as much as possible in the Ministry's efforts in the following:

- Improving and strengthening the role of human resources in the marine and fisheries sector.
- Improving management of the country's ocean territory;
- Developing marine and fishery industries sustainably;
- Reducing the impact of coastal disasters and marine pollution;
- Contributing to the prosperity of poor families in coastal areas.

15. To measure Indonesia's progress in harnessing its potential as expressed in its National Development Plan, various indicators can be used such as the following:

- Degree of development of facilities and networks of basic facilities that link all islands in the archipelago of Indonesia.
- Strength in human resources capacity in the marine and fishery sector that is supported by adequate and appropriate science and technology.
- Extent of codified protection in law and policy of the assets and matters that relate to the framework of the nation's security and defenses.
- Depth of integration of the marine-based economy and its level of sustainable utilization of marine resources and fisheries.
- Extent of mitigation of impact of coastal disasters and marine pollution.
- Degree of development of marine transportation systems and related infrastructure and technology.
- Extent of shift in the prevailing development paradigm from being largely land-oriented (terrestrial) to being more marine-oriented.

16. In order to advance the goal of Indonesia as reflected in its National Development Plan, the Ministry is working on a new policy direction. This includes the following:

- Within the framework of the Indonesian development plan, the Ministry seeks to include an element focused on the optimal and sustainable use of marine resources and fisheries.
- Formulate appropriate plans to develop the marine and fishery sector that would be supported by appropriate budget allocations.
- Develop a multi-pronged approach in the strategic Marine and Fisheries Development Plan with appropriate long-term and medium-term perspectives.
- Ensure that the above strategic plan will include partnerships with cross-sectoral, regional and international stakeholders.
- MMAF's role, responsibility and authority for developing the marine and fishery sector shall be improved to ensure more effective implementation of policies and programs for marine and fishery development.
- MMAF shall conduct periodic reviews of its management and organization towards more effective bureaucratic reform, greater efficiency and clean government.

17. The changes and challenges in Indonesia's governance environment for the marine and fishery sector needs to be understood within the context of global and regional developments. At the global level, the rise of environmental advocacy has influenced the movement towards sustainable management of marine resources and fisheries in Indonesia. Sustainable management has been promoted in several international agreements such as Agenda-21, the World Summit on Sustainable Development (WSSD), the Millennium Development Goals (MDGs), and the FAO-Code of Conduct for Responsible Fisheries (CCRF). In addition, the Regional Fisheries Management Organizations (RFMO) -- such as the Commission for the Conservation of Southern Bluefin Tuna (CCSBT), the Indian Ocean Tuna Commission (IOTC), and the Western and Central Pacific Fisheries Commission (WCPFC) -- have become increasingly important to regulate fisheries management, especially in tuna conservation.

18. At the regional level, especially among the countries in the Association of South East Asian Nations (ASEAN), an increase in economic cooperation and the settlement of territorial boundaries between neighboring countries is needed. In order to manage marine conservation areas, Indonesia, together with Malaysia and the Philippines, developed a trilateral cooperation program in the Sulu Sulawesi Marine Eco-region (SSME) based on a bio-ecoregional approach. A similar cooperative concept and approach has developed between Indonesia, Papua New Guinea and the Solomon Islands, namely the Bismarck Solomon Seas Ecoregion (BSSE) in the marine conservation area on the north side of Papua Province and West Papua. Additional cooperation with a regional perspective has been growing in other areas. For example, Indonesia is actively involved in Asia-Pacific Economic Cooperation (APEC), the European Union, Sub-Regional Economic Cooperation (KESR) through the Indonesia-Malaysia-Thailand Growth Triangle (IMT-GT), and the Brunei, Indonesia, Malaysia, and Philippines-East Asia Growth Area (BIMP-EAGA).

19. At the sectoral level, in order to preserve the coral reefs in the area of the Coral Triangle, the *Coral Triangle Initiative (CTI) on Coral Reefs, Fisheries and Food Security* was initiated by six countries: Indonesia, Malaysia, Philippine, Timor Leste, New Papua Guinea, and the Solomon Islands in 2007. This initiative has received positive feedback and commitment from the international community and will be a central focus of MMAF's reforms.

20. Based on the foregoing conditions at the global, regional and sectoral levels, it is recognized that MMAF at all levels will play a key role in marine and fishery development. In addition, MMAF needs cross-sectoral and institutional support from other government agencies. This includes the National Development Planning Agency; the Ministries of Finance, Foreign Affairs, Public Works, Trade, Agriculture, Forestry, Labor, Communication and Information, and Education; the State Agencies (Ministries of Economic Coordination and People's Welfare Coordination), and State-Owned Enterprises

(e.g., the National Land Authority Body, shipping, telecommunications), as well as other marine and fishery stakeholders.

21. At present, the Government of Indonesia is preparing its National Mid-term Development Plan for 2010-2014 based on the National Long-Term Development Plan for 2005-2025 and the results of the prior Mid-Term Development Plan for 2005-2009. The new Mid-Term Development Plan will be drafted using inputs based on the Ministry's performance under the 2005-2009 Mid-Term Plan, the inputs from the Development Planning Agency (BAPPENAS) in relation to the National Long-Term Development Plan (2005-2025), and the inputs from this MMAF/USAID Assessment.

II. GOAL AND OBJECTIVES OF ASSESSMENT

22. The goal of the assessment of MMAF is to help enhance its effectiveness as the leading Ministry for the development of the marine and fishery sector. This will be accomplished through an analysis the Ministry's conditions and capacity and by recommending measures to improve its organizational performance. The desired result is an MMAF that is better able in managing marine and fishery resources sustainably through organizational adjustments while increasing the role of the marine and fishery sector as a prime engine of national development.

24. The specific objectives of the assessment of MMAF include:

- To gather facts about strengths and weaknesses of the organizational management of MMAF in executing its duty and function as the primary Ministry having the authority to manage marine resources and fisheries in Indonesia,
- To provide recommendations that could improve the integration and synergy between the various offices and working units within MMAF that will strengthen the capacity of MMAF in executing its duty and function,
- To provide recommendations on how the Ministry of Marine Affairs and Fisheries can enhance its the cross-cutting sectoral role in managing the marine and fishery resources sustainably,
- To provide recommendations for how the marine and fishery sector can enhance its role to become one of the core engines for Indonesia's economic growth,
- To prepare inputs for the development of the Medium Term Development Plan 2010-2014 and Strategic Plan of 2010-2014, and
- To prepare inputs for developing policy for bureaucratic reform in MMAF.

III. EXPECTED OUTPUTS AND OUTCOMES

25. The expected outputs (deliverables) of the assessment of MMAF are the following:

- a) A review of the literature on the issues and challenges facing MMAF and its efforts to develop Indonesia's marine and fishery sector.
- b) A PowerPoint presentation to MMAF and USAID on the preliminary findings of the assessment.
- c) An assessment Report with the following components:
 - Findings regarding the weaknesses and strengths of MMAF's organizational management of the Marine and Fishery resources;
 - Suggestions for enhancing MMAF's capacity in executing its tasks and functions,
 - Recommendations on how to strengthen the cross- sectoral role of the Ministry of Marine Affairs and Fisheries in managing the marine resources and fishery sustainably,
 - Recommendations for improving the role of the marine and fishery sector to become one of the pillars for Indonesia's economic growth;

- Suggested inputs for the Medium Term Development Plan 2010-2014 and Strategic Plan of 2010-2014, and
- Recommendations for other bureaucratic reforms in MMAF.

The report will also contain a recommended Scope of Work for MMAF Advisor offered by USAID and an analysis on how MMAF can best carry out its responsibilities in the Coral Triangle Initiative.

26. The expected outcome of this assessment of MMAF is a more effective MMAF that contributes significantly to the prosperity and stability of Indonesia as a strong, unified, and archipelagic country through the sustainable development of its marine and fishery sector.

IV. TECHNICAL APPROACH AND TASKS

23. This assessment to help enhance the effectiveness of the Ministry of Marine Affairs and Fisheries will cover 3 (three) key areas:

- Internal** – how to improve the integration and synergy among the offices and work units within MMAF and to strengthen the Ministry’s internal capacities;
- External** – how to enhance the role of MMAF as the leading institution in managing marine and fishery resources in collaboration with other government entities; and
- International** – how to improve the coordination and management of international development assistance to MMAF.

Under each of the above key areas, a number of specific tasks will be tackled, as follows:

Internal Tasks

- To assess the existing structure and operations of MMAF and to recommend steps to improve its organizational structure, including ways to enhance the integration of the Ministry’s different units and functions.
- To review the managerial and administrative practices of MMAF and to recommend measures to improve them, including ways to facilitate a more efficient flow of information vertically and horizontally across the Ministry.
- To evaluate the roles and responsibilities of the different units in MMAF and to provide recommendations that will avoid or reduce overlapping efforts toward the optimal development of the Marine and Fishery sector.
- To conduct interviews with local authorities and to recommend strategies and activities that MMAF can pursue that will harness the capacity of local authorities in tackling common development problems in the marine and fishery sector.
- To analyze the role and responsibility of the Secretary General and to recommend measures to strengthen its institutional capacity to manage the ministry.
- To carry out appropriate analysis to develop and draft the Scope of Work for a two-year advisor to serve the Secretary General; the analysis will put emphasis on the Advisor's work, which is intended to develop appropriate policies, plans, regulatory guidelines and support the execution of improved ecosystems-based fisheries and a strengthened marine protected areas network in Indonesia. (MMAF and USAID will subsequently negotiate the detailed terms of the SOW before final approval.)

- To conduct appropriate analysis to determine how MMAF can carry out its responsibilities in the implementation of the Coral Triangle Initiative. This will include, but will not be limited to, structural, level of effort, capacity strengthening, administrative and logistical considerations.
- To assess existing laws and regulations applicable to marine conservation areas and fishery environmental management and to recommend areas in the law that would benefit from a review and revision.
- To review the Mid-Term Strategic Plan of MMAF for 2005 – 2009 and to help MMAF prepare its input for the compilation of its next Mid-Term Strategic Plan for 2010 – 2014 in accordance with the National Development Plan for 2005-2025.
- To assess the different economic potential (in addition to fishery products) of the Marine and Fishery sector that could be managed by MMAF.
- To analyze the potential of marine resources and fisheries within the context of issues and factors related to Indonesian politics, economy, culture, other institutions, and developments in science and technology.
- To assess the budgetary needs of MMAF to enable it to execute its responsibilities under the National Long-Term Development Plan 2005-2025 and the next Mid-Term Development Plan 2010-2014 for the marine and fishery sector to improve its contribution to national economic growth.
- To evaluate the impact of the transportation, telecommunications, and education sectors on the marine and fishery sector.
- To formulate other recommendations for bureaucratic reform to help improve the effectiveness and efficiency of MMAF.

External Tasks

- To assess MMAF's institutional relations with other government departments and agencies and to make recommendations to strengthen its leadership role relative to other ministries and institutions in the development of the marine and fishery sector.³⁷
- To recommend approaches on MMAF can improve coordination with other Ministries and agencies whose mandates and responsibilities affect the marine and fishery sector (specifically the Ministries of Environment, Forestry, Agriculture, and the National Land Authority Body).
- To assess how MMAF can work with other Ministries and agencies in supporting the achievement of Millennium Development Goals (MDGs) for the marine and fishery sector.
- To analyze the work of the Ministry of Forestry in the area of marine conservation and to recommend measures on how MMAF can improve inter-ministry coordination in this area.
- To evaluate the activities of the Ministries of Economic Cooperation and of People's Welfare Coordination in relation to the use of the Community Development Fund and to develop recommendations on how MMAF can improve inter-ministry coordination in this area.
- To conduct interviews and meetings with local NGOs and local authorities and to recommend approaches and activities on how MMAF can strengthen its working relationship with NGOs and local authorities to deepen partnerships and enhance external ownership of MMAF programs and projects.

³⁷ These other departments and agencies include the following: the National Development Planning Agency, Ministry of Finance, Ministry of Foreign Affairs, Ministry of Transportation, Ministry of Public Works, Ministry of Trade, Ministry of Agriculture, Ministry of Forestry, Ministry of Education, Ministry of Health, Ministry of Cooperation and SME, Ministry of Energy and Mineral Resources, Ministry of Environment, Ministry of Communication and Information, State-Owned Agencies, Indonesian Shipping, Telecommunication, National Land Authority Body, Ministry of Economic Coordination, and Ministry of People's Welfare Coordination.

International Tasks

- To review the nature and distribution of recent and on-going donor-funded projects in MMAF and to make recommendations on ways and means to improve coordination and enhance synergies.
- To assess the benefits of past donor-funded loans and grants to the marine and fishery sector and to provide recommendations to MMAF on activities that may be funded by external loans and grants.
- To analyze the work of regional fishery management organizations and other regional and international institutions involved in the marine and fishery sector, and to provide recommendations where MMAF can establish better or new areas for cooperation to better accomplish its mission.

V. METHODOLOGY

24. The Assessment Team will be composed of international and national specialists in good governance, public management, and coastal resource management. The team will conduct the assessment in three phases: (1) a Literature Review and Team Planning Meeting, (2) Field Work and Site Visits, and (3) Presentation and Write-up of Findings.

25. Phase 1- Literature Review and Team Planning Meeting

The assessment will begin with a literature review that will survey selected books, reports and articles that relate to the three areas above. It will be followed by a Team Planning Meeting (TPM) that will review the details of the Terms of Reference (TOR) and agree on a plan of action to implement the TOR.

26. **Phase 2- Field Work and Site Visits** -- this will entail the conduct of meetings of officials in MMAF and other government agencies as well as non-government stakeholders; it will also involve the conduct of site-visits in two or more areas outside the capital that would highlight the challenges of marine and fishery sector development.

27. The assessment team will design a field work-plan that will describe and assign the main tasks of the team. The objective of the fieldwork is to gather information that is not available from a literature review or analysis of existing relevant documents. During the course of the fieldwork, the team will meet with various experts and officials from MMAF and other government organizations as well as from non-government organizations. Through interviews and meetings, the team will address the three main areas of this assessment (as described above), review findings of previous reports and studies, test any contradictory conclusions and findings, and analyze instances of success and failure in prior efforts to promote effectiveness among agencies working in the marine and fishery sector.

28. In addition to MMAF officials and other government staff, the assessment team may also meet with local interest groups, journalists, analysts, donor representatives, and other sources that may provide helpful information and insights in relation to this goal of this assessment. The assessment team will meet with MMAF towards the end of the fieldwork prior to the presentation of its results to USAID. It is possible that USAID Indonesia may request the assessment team to meet with individuals and other groups that are not identified prior to start of the fieldwork, and these requests will be accommodated as much as possible.

31. As appropriate and feasible, the team may conduct case studies to convey its analysis and findings. The purpose of the case studies will be to highlight how MMAF can become more effective in certain areas or aspects in its policies and programs.

32. It is expected that at least two site visits will be conducted during the course of the assessment. One of the sites is Derawan in East Kalimantan. The multiple site visits will help the team make a comparative analysis of the factors that shape the performance and results of MMAF at the ground level. A comparative approach will also allow the team to consider the importance and impact of varying formal and non-formal institutions in different regions of Indonesia.

33. **Phase 3 - Presentation and Write-Up** -- this refers to team's presentation at the conclusion of the assessment of its preliminary findings to USAID and MMAF, as well as the write-up of the final report that will incorporate feedback from USAID and MMAF.

33. At the conclusion of the fieldwork, the assessment team will present its early findings to MMAF and USAID. This presentation will be an opportunity for the team to present its preliminary recommendations and to hear the views and inputs from USAID and MMAF. Based on the feedback from USAID and MMAF, the assessment team will prepare its final report. A draft of the report will be delivered to USAID two to three weeks after completion of the fieldwork. The draft report will be reviewed internally by USAID Indonesia, and its feedback will be conveyed to the assessment team before a report is submitted to MMAF. If needed, a separated internal version may be requested by USAID due to possible sensitivity of the team's conclusions.

VI. TIMETABLE

34. The assessment team is expected to complete its work over 6 weeks, with the first 4 weeks being in the field in Indonesia (from October 13 to November 7). The figure below illustrates the timetable, as follows:

TASKS	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
Team Planning Meeting						
Analysis of Literature Review						
Meetings and Site Visits						
Presentation of preliminary findings to MMAF and USAID						
Report writing						
USAID internal review						
Submission to MMAF						

VII. FUNDING

35. This assessment is being conducted with support from USAID's Enhancing Government Effectiveness Project.

Appendix 2

Illustrative Guide Questions to Assess MMAF Effectiveness

A. POLICY EFFECTIVENESS

1. What are the DG's policy goals?
2. What are its policies, i.e. orders and rules that the DG issues to achieve its policy goals?
3. Is there policy consistency? Are the policies of the DG consistent with each other? Are there policies in other offices (within the Ministry and outside) that conflict with the DG's policies in a direct and significant way?
4. Are there policy gaps? Are there issues relevant to the DG's policy goals that the DG wants to address or needs to address that are not currently covered by existing policies?
5. Is there policy credibility? Does the DG make exceptions to the policy? Are policies implemented uniformly or selectively?

B. REGULATORY EFFECTIVENESS

1. What are the tools that the DG uses to regulate its policies?
2. Does the DG issue regulatory documents -- licenses, permits, certifications, waivers, etc.? Please specify.
3. Does the DG charge fees the issuance of these documents? If so, what is the DG's annual revenue from these fees?
4. Can the DG raise or lower the fees? Is yes, which office in the DG determines the fees? If no, which office inside our outside the Ministry determines the fees?
5. Does the DG conduct public meetings or hearings with its stakeholders to discuss regulatory issues?

C. ENFORCEMENT EFFECTIVENESS

1. Does the DG have an internal unit to enforce its policies and regulations?
2. What are the penalties, if any, that the DG applies to violations of policies and regulations?
3. What is the number of violators? What is the proportion of violators to total number of users?
4. Does the DG review the number, location, and nature of violations?
5. Does the DG refer violations to other enforcement units inside or outside the Ministry?

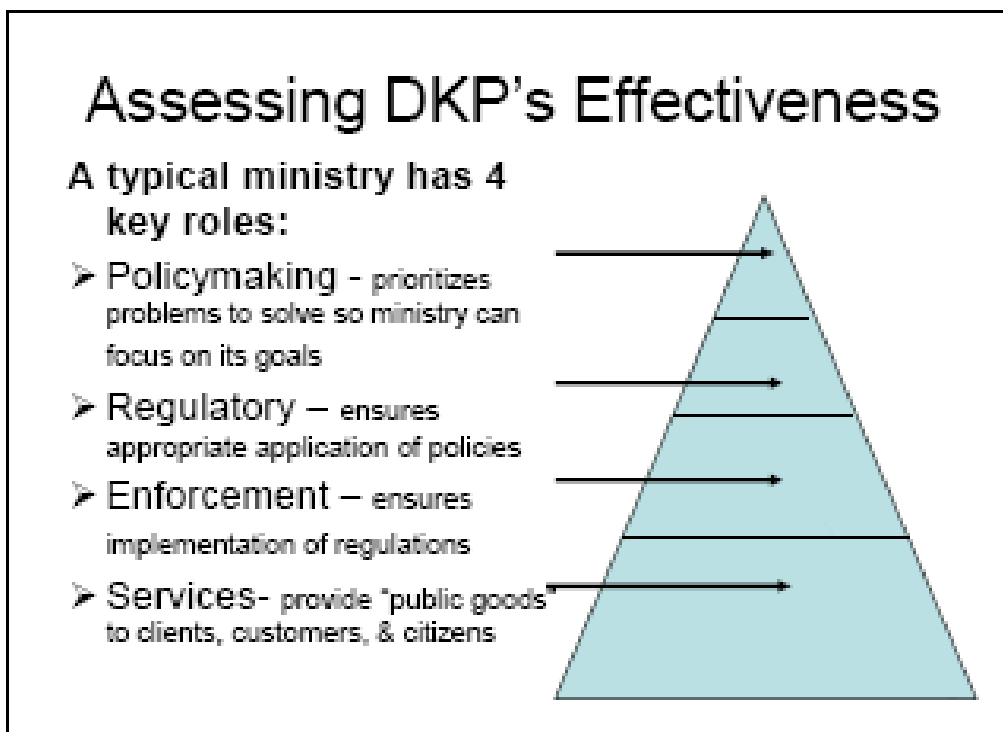
D. SERVICE DELIVERY EFFECTIVENESS

1. What fee for services does the DG provide?
2. What services does the DG provide for free?

3. Does the DG have declared standards of service, i.e. that applications for documents will be reviewed and resolved within X number of days, that complaints about office performance will be responded to within X number of days, etc.
4. Does the DG have a procedure to receive complaints from its users?
5. Does the DG employ feedback surveys to learn about preferences and views of its users and stakeholders?

Appendix 3

PowerPoint presentation of EGE Findings presented to MMAF



DKP's Policy Making Functions

- Policy process: supports achievement of policy goals; process should be monitored and iterative
- DKP has clarity in its policy goals:
 - Pro poor; pro jobs; pro-growth
 - “Sustainable and responsible marine resource management”
- But operational gaps exist between policy making and implementation (within DKP, between Jakarta and Districts, between DKP and other ministries)

3

DKP's Regulatory Functions

- DKP regulates:
 - Fishing & processing: (vessels, gear, location, catch)
 - Conservation
 - Coastal Management, Zoning, & Small Island development
 - Non-Living Resource Extraction (sand mining, treasure, etc.)
- Challenges:
 - Data and analysis to improve regulation
 - Regulatory gaps
 - How to regulate in decentralized structure?
 - DKP expertise needs to be supported by resources

4

DKP's Enforcement Functions

- Enforcement gives teeth to DKP's regulations.
- Requires a **fleet** (for IUU) plus enforcing **regulations** for:
 - Health - Conservation - Small island development
 - Zoning - Fishing, Processing, & Exports
- Enforcement functions also include IG's office
- **Challenges**:
 - Archipelago -- 17000 islands, 81000 Km Coastline
 - Jurisdictional Overlaps & Conflicts, (internal/external)
 - Conflicts of interest -- separation of units; checks & balances
 - Solutions require Tools, Personnel, & Resources

5

DKP's Services Functions

- Services are transactions between DKP, Clients, Customers, & Citizens
- **All DGs provide some services**:
 - Sec-Gen -- Internal & Intl Coordination, Liaison, & Quarantine
 - DG Capture Fisheries -- Licenses. [TA?]
 - DG Processing and Marketing -- Quality Assurance, Marketing, Promotion
 - DG Aquaculture -- export certification, guidelines, TA
 - DG Marine, Coastal, & Small Islands-- coastal development approaches, PEM
 - Marine & Fisheries Research -- Information, Analysis, technical guidance
 - HRD -- Training (Internal and External) Certifications
 - IG -- Internal audits, & responds to public concerns
- **Challenges**
 - Access points? How do customers access DKP for services?
 - Improving Public Information and Outreach efforts
 - Expanding Extension services
 - Providing Credit and/or access to capital

6

DKP's Current Structure by DG: Size and Budgets

	Sec Gen	IG	Capt Fish	Aqua-Culture	Process/Marketing	Coastal Small Islands	Enforcement	Research	HRD	Totals
Staff No	1611	211	1588	1423	378	343	620	1183	1751	9118
% staff	18	2	17	16	4	4	7	13	19	100
Budget (Rp/1 mil)	328	31	744	523	215	267	536	138	192	180
% of budget	18	1	24	17	7	9	17	4	9	100

7

Key Sectoral Trends

- Capture Fisheries is threatened industry:
 - Catch is declining in 9 out of 11 fishing zones; food security an issue
- IUU fishing is a growing concern
- Growing global demand for sustainable marine products
- Increased recognition that MPAs and CZMs require Ecosystem-Based and Biodiversity approaches
- World moving towards managed fisheries. DKP also needs to move from "extraction" to "management."

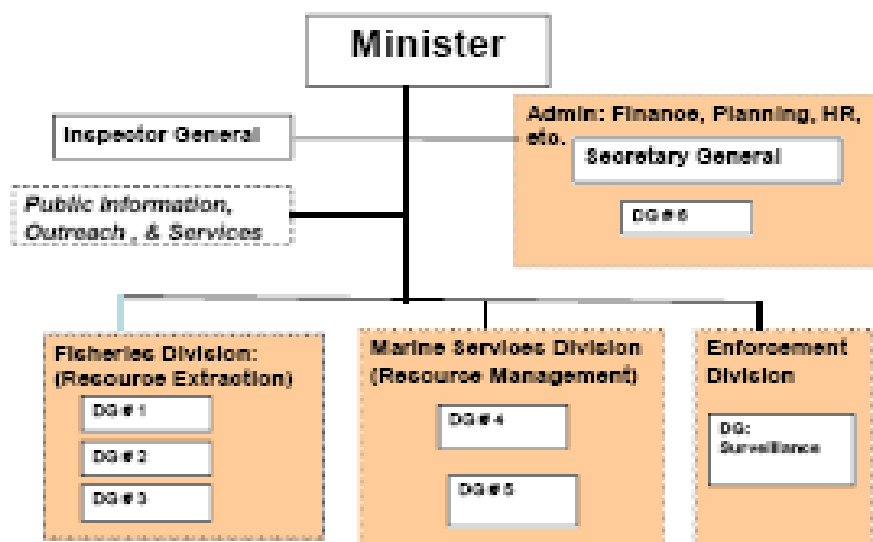
8

Aligning DKP's **Policy, Regulatory, Enforcement, and Service** Roles

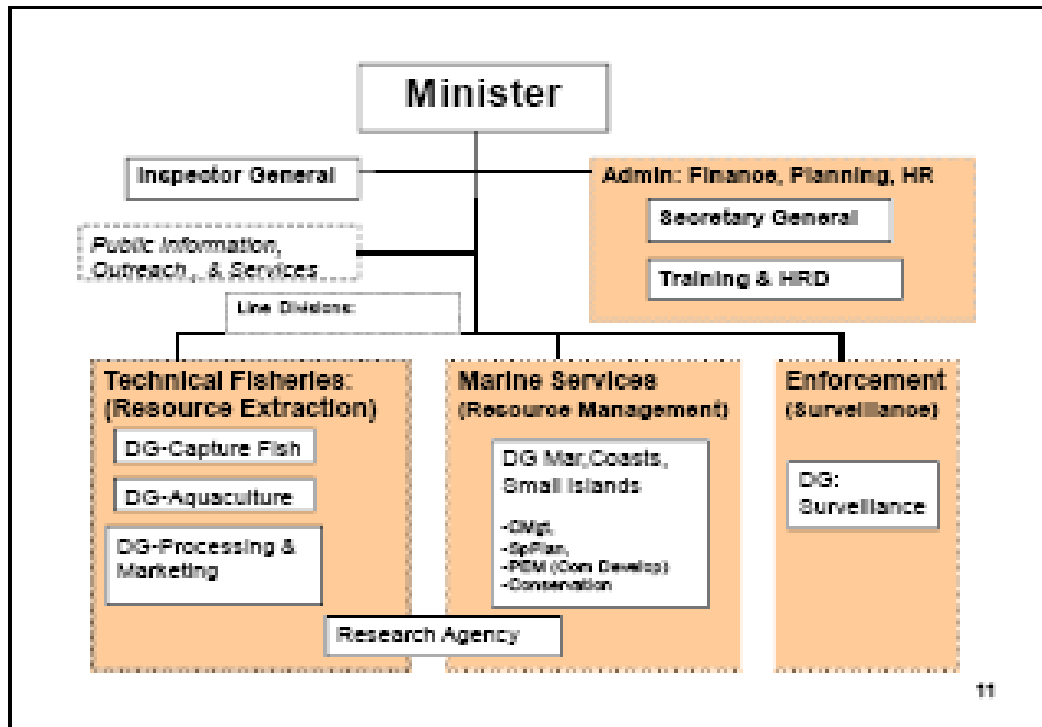
- **Potential tools:**
 - Cluster DGs into larger units
 - Rationalize Staff Levels (Shifting staff between DGs)
 - Improve Service Delivery (including Expanding Outreach & Public Information)
 - Improve inter-ministerial and vertical coordination

9

DKP: Clustering DGs



10



Staff functions vs Line functions

- For a Ministry, “staff” functions typically would include:
 - Administration, Finance,
 - Planning,
 - Public Relations, Public Information
 - Inspector General,
 - Training, Personnel, etc.
- For DKP, most staff functions are in place.

DKP: Possible Line Divisions

For DKP, possible line divisions might be:

- **Fisheries Division**
 - DG: Capture Fisheries
 - DG: Aquaculture
 - DG: Processing and Marketing
- **Marine Services**
 - DG: Marine, Coasts & Small Islands
- **Enforcement Division**
 - DG: Surveillance & Control

13

Observations: Fisheries Division

- **Capture Fisheries** might re-focus towards ecosystem-based management approaches
- **Aquaculture** could grow to meet market demand and increase livelihoods for poor
- **Processing & Marketing** serves both fisheries and aquaculture, and shifts to eco-label and value-added products

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Observations: **“Marine services”** Division

- This division might grow, perhaps adding extension staff capabilities
- **PEM** -- might grow and be centralized in DKP; this could help Small Islands Development
- **Conservation** – might grow through CTI and also if National Parks are transferred
- **Spatial Planning & Coastal Management** might grow as management needs expand
- **“Marine services”** division needs suitable structure and strategies for growth, especially if extension capacity is added.

15

Observations: **Enforcement**

- Effective enforcement is an operational chain: (i) detection, (ii) investigation and (iii) prosecution.
- Enforcers are generally separated from regulators.
- The Enforcement Division will need some expansion in personnel & equipment, and also needs more training in detection and investigation
- Expanding DKP's enforcement capacity will support expanded Marine Services Division & Fisheries Division.
- MPAs will need better enforcement mechanisms.
- Even if DKP ships and crews are transferred to proposed Coast Guard, Enforcement Division STILL must grow and also improve coordination with other ministries and enforcement agencies

16

Observations: Inspector General

- The IG is a Ministry's *first line of defense* and principal agent for performance accountability
- In DKP, IG's mission to be a "counseling partner" not "internal watchdog"
- Conducts both financial & performance audits
- Wants training in performance auditing as well as improved fraud audit capacity
- Needs to professionalize; become more of a watchdog; perhaps stop staff rotations; focus on 'performance audits.' Build in more checks and balances; needs internal fire walls.

17

Observations: Research Agency

Research provides :

- information on resource base (mangroves; fish stocks)
- data on monitoring & implementation of programs
- Support for early warning systems [?]
- collaborate with NOAA (what kind?)

Issues

- Duplications within Gol
- Outdated facilities; too few scientists
- DKP does not have dispersed research strategy for all DGs (5 original DGs have a research unit)
- Limited distribution of data, results, implications
- Limited follow-up

DPK needs (i) Management Information Systems (MIS); (ii) improved focused research strategy and "feedback"; (iii) may need staff rebalancing between research topics and themes (?)

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Observations: Research Agency

DKP's Research Agency can provide:

- Information on resource base (mangrove area; fish stocks)
- Expertise (Human Capacity) when creating technical guidelines (quotas, minimum size, coastal setback, hazard zones)
- Assistance in resource monitoring and analysis
- Options for solving specific DG problems & challenges (biotech, gear advances, disease treatment, pollution)

Issues

- Overlap of Research Mission within Gol (LIPI) and DKP
- Outdated facilities; only 40 PhDs.
- Links between DGs and BRKP could be stronger, focused
- Results & implications could be more targeted to users

NEEDS (i) Management Information Systems (MIS); (ii) improved more focused research strategy and "feedback" to support DKP core mission; (iii) stronger partnerships with clients

Observations: Human Resources

Role of HRD:

- Strengthen Public Education in Marine Sector
- Train DKP and Gol Staff in Marine Sector, Prof Develop
- Train Trainers for User Organizations, Certify skills
- Design & Manage Extension Services

Status:

- Young agency that grew fast (1700 staff)
- Priorities of Curriculum can't support all DG needs & new themes (ESBM, ICM, etc)

Needs

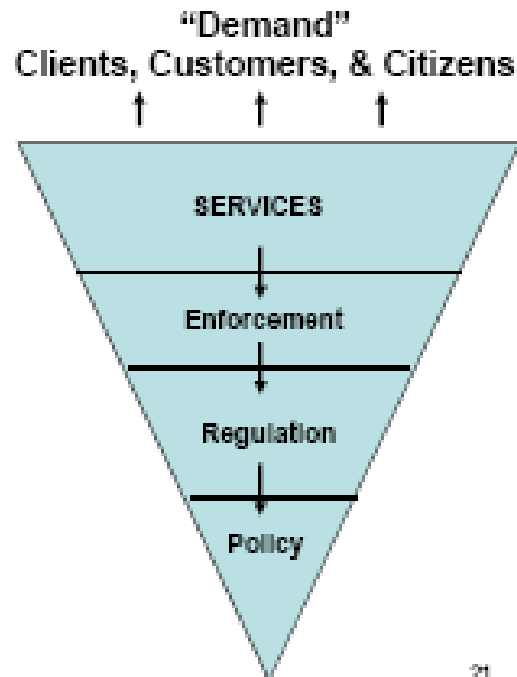
- Strengthen partnership with internal clients
- Support Professional development track
- Strengthen links to existing field offices. (Sea Partnership, etc.)
- Promote national understanding of Marine Sector

Provisional Conclusions

DKP could become more *service-driven*, focusing greater attention on Clients, Customers, and Citizens.

Examples:

- Public Outreach
- Customer Charters
- Balanced Scorecard
- User-Feedback Surveys
- Increased Access Points: (hotline, web-based technologies, expanded extension functions)



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