

DESIGNING EVALUATION FOR LOCAL ECONOMIC DEVELOPMENT

A framework for evaluating Local Economic Development: Case Study of
Local Economic Resource Development Project in Indonesia

Faculty of Economics and Business
MSc International Business and Management –
International Financial Management

Ratih Kusuma Dewi
S1809865

University of Groningen

-2010-

DESIGNING EVALUATION FOR LOCAL ECONOMIC DEVELOPMENT

A framework for evaluating Local Economic Development: Case study of
Local Economic Resource Development Project in Indonesia

By:

Ratih Kusuma Dewi

S1809865

R.K.Dewi@student.rug.nl

MSc International Business and Management –

International Financial Management

Double-degree Program with Uppsala University, Sweden

May 2010

Supervisor

Dr. B.J.W. Pennink, University of Groningen

Prof. Dr. L. Karsten, University of Groningen

University of Groningen
Faculty of Economics and Business
Landleven 5
9747AD Groningen
The Netherlands
University of Uppsala

Department of Business Studies
Kyrkogardsgatan 10
75120 Uppsala
Sweden

DESIGNING EVALUATION FOR LOCAL ECONOMIC DEVELOPMENT: CASE STUDY OF *LERD* EVALUATION

ABSTRACT

This thesis discusses evaluation design and framework to evaluate local economic development (LED) programs. Evaluation models and previous LED evaluation in the literature are presented. LED evaluation framework is constructed by an adaptation of CIPP (Context, Input, Process and Product) evaluation model. A case study on LERD (Local Economic Resource Development) evaluation project in Indonesia is selected to evaluate LED program based on designed evaluation framework. The analytical framework represents evaluation of context, input, process and product of the program. The result from evaluation of context suggest that LERD is an answer for a need for increasing and upgrading local capacity in managing local economic development and policy that arise because of new changes in the social and economic environment of decentralization and democratization. On the evaluation of input, the majority of training participants are from local government officers even though trend of participants from private sector / entrepreneur is growing. Entrepreneur participation could be increased proportionally to formulate diversity of institutions of training participants in LERD. On the evaluation of process, product mapping has been conducted by universities (LERD training organizer in Indonesia) through some economic indicators. For further improvement, other stakeholders can join the discussion on which products, commodities or services are going to be selected. For training activities assessment, the result suggests that there is a good valuation of training quality and effectiveness received by participants. On the evaluation of product, it includes assessment on output, outcome and long term outcomes (impact). Identification of output, outcome and impact is following the logical framework of the LERD program. For assessment on output, LERD participants from government institutions on average agree that there is benefit and improvement in terms of new knowledge and experiences. For assessment on outcome, not all regions participating in LERD have documented the action plan in the regional medium term development plan (*Rencana Pembangunan Jangka Menengah Daerah / RPJMD*). This is because the time frame of RPJMD does not match the time of LERD training. RPJMD is a five year plan and most of them are for years 2005-2009 or 2006-2010. While the plan is usually signed one year before or in the first year of the plan, the event of LERD training activities occurs after the RPJM has been signed.

Keywords: *Evaluation, LED, LERD, CIPP evaluation model*

Contents

Abstract	3
List of Tables	6
List of Figures	7
Chapter 1 Introduction	8
1.1. Background	8
1.2. Problem Indication	9
1.3. Research Question	10
1.4. Research Objective	10
1.5. Research Methodology	11
1.6. Contribution	12
1.7. Outline of the Thesis	12
Chapter 2 An Overview of Local Economic Development Program	13
2.1. Definition	13
2.2. History	13
2.3. Actors of LED	15
2.4. LED Concepts and Strategy	15
2.5. LED Programs around the World	17
Chapter 3 LED Program in Indonesia	18
3.1. PARUL	19
3.2. KPEL	20
3.3. SEED	22
3.4. LERD	24
3.5. REDS	26
3.6. Comparison of Five Projects	27
Chapter 4 Program Evaluation: An Overview	30
4.1. Definition of Evaluation	30
4.2. Brief History of Evaluation	31
4.3. Type of Evaluation	34
4.4. Program Evaluation	35
4.5. Evaluation Models	36
4.5.1. CIPP model	38
4.5.2. Four Level (Kirkpatrick) Model	40
4.5.3. Logic Model	42
4.5.4. Constructivist (a.k.a. Fourth Generation) Evaluation	43
4.6. Choosing Approach for Evaluation	45
Chapter 5 Designing Evaluation for LED	47
5.1. LED Evaluation	47
5.2. Literature on LED Evaluation	48
5.2.1. Monitoring & Evaluation framework from Goldman and Nel (2005)	48
5.2.2. LERD Training Evaluation	50
5.2.3. LED Success Factor	51
5.2.4. Comparison of Three Previous Evaluation	51
5.3. Framework for LED Evaluation	52
Chapter 6 Evaluation of LERD Project: a Case Study	56
6.1. Collecting Data	56
6.2. Results and Discussion	56

6.2.1	Context analysis: Need of capacity enhancement for local people in developing local economic development	56
6.2.2	Input evaluation: Solidity of LERD Team and of Partner institutions	58
6.2.3	Process evaluation: Learning through linkage program and creating well accepted action plan	61
6.2.4	Product Analysis: Towards increasing regional income and competitiveness	66
Chapter 7	Conclusion	76
7.1.	Conclusion	76
7.2.	Limitation	78
7.3.	Recommendation	78
References		80
Appendix		84

List of Tables

Table 3.1 Analysis on LERD Process According to an Ideal Model	25
Table 3.2 Comparison of Five Projects	27
Table 4.1 Motivation for Program Evaluation	36
Table 4.4 Steps in Conducting the Constructivist Evaluation	44
Table 5.1 Comparison of Previous LED and LERD Evaluation framework	52
Table 6.1 Composition of LERD Training Participants (in Percentage)	59
Table 6.2 Region and Commodity in the LERD Project	63
Table 6.3 Prime Commodity for Kalimantan Selatan (South Kalimantan)	64
Table 6.4 Results from survey (via email) on LERD Training Process	65
Table 6.5 Results from survey (via email) on LERD Output and Outcome	68
Table 6.6 LERD Program and RPJM	69
Table 6.7 Local Own Source Revenues (PAD) in billions Rupiah	73
Table 6.8 Growth of Local Own Source Revenues (PAD) in Percentage	74
Table 6.9 Indonesian Trade Specialization Index	75

List of Figures

Figure 3.1 The Flow of SEED Implementation	23
Figure 3.2 LERD Program	24
Figure 4.2 Key Components of CIPP Model	38
Figure 4.3 Basic Logic Model	42
Figure 5.1 Goldman & Nel's Framework for M&E of Pro-Poor LED	50
Figure 5.2 Framework for LED Program Evaluation	54
Figure 6.1 Impact and Outcome	67

CHAPTER 1

INTRODUCTION

1.1 Background

Local Economic Development (LED) program is gaining popularity in accordance with the phenomenon that national and regional governments are seeking a policy to enhance economic growth and prosperity for the people at local level. At the same time, many of the program especially for developing countries received support from international agency through funding and technical assistance.

In that sense, the LED program involves many stakeholders who have an interest to know whether the program is working and could achieve the goal. It is clear then that the program needs to be evaluated. Not only policy makers, academics also have a common interest on the assessment of the program.

Literature on the evaluation of LED is rather limited. Meanwhile, the literature on program and design evaluation is quite large. Therefore, this thesis is trying to add to the literature on LED evaluation.

This thesis will focus on an Indonesian case study of LED program. A project called local economic resource development (LERD) is selected. Previous study by van Leeuwen (2009) was focusing on investigating success factors of the LED program, while this research is focusing more on evaluation of the project.

Indonesia is an interesting country to study the local economic development and evaluation of LED related program. There are three reasons why the Indonesian case is interesting in terms of policy and academic study. First, geographically, Indonesia is the biggest archipelagic country with more than ten thousands islands. Unfortunately there is unequal distribution of income and poverty between regions. Economic activity has continued to cluster around some key regional economies, where Java, Bali, Sumatra and Kalimantan have dominated the eastern region economically, and more specifically Jakarta has assumed ever as the nation's key economic agglomeration (Hill et al., 2008).

Second, the decentralization program started in 2001 has transferred some authorities from the central government to local governments at district (kabupaten) and municipality (kota)

level. Following decentralization, the central government allocated a large amount of resources to poorer regions in an effort to balance the country's disparities through the General Allocation Fund (*Dana Alokasi Umum*, or DAU) and the Specific Allocation Fund (*Dana Alokasi Khusus* or DAK) (World Bank, 2007). According to Nel & Rogerson (2007), LED is closely associated with decentralisation policies and localized responses to either economic crises or new wealth-generating opportunities.

In this regards, local governments have been playing a greater role than before in the economic development policy at the regional level. Inequality and spatial imbalance also occur in infrastructure. There are wide disparities across regions in access to infrastructure, with those outside Java and Bali lagging behind. Since 2001, regional governments have been responsible for an increasing share of development budget spending on infrastructure, as part of Indonesia's general decentralization of government responsibilities (World Bank, 2007).

Third, some LED programs have been executed in Indonesia. This is a sign that LED has been playing a role in the development process in Indonesia. However, evaluation of development related program in Indonesia is important. Sumarto et al. (2002), who studied how effective various Indonesian social safety net programs found that in many cases the target groups have been largely missed by the programs, both in terms of low coverage and being only loosely targeted in practice. The programs are plagued by problems in targeting the beneficiaries and delivering benefits to intended target groups.

1.2 Problem Indication

LERD program is not a new program in Indonesia. It was initiated in 2003. After some years of implementation, it needs an overall evaluation of the program. Evaluation of the program is important to improve the program or to find out whether or not it has achieved the goal and objective of the program. It needs a comprehensive evaluation covering assessment, not only whether or not project activities have been done properly, but also assessment whether or not it has achieved the goal, whether or not it has produced expected outcome. In order to evaluate the program, an evaluation framework or model is required to answer the problem on how we should evaluate the program.

1.3 Research question

The main question that will be discussed in this thesis is:

“How does a suitable framework for evaluating the local economic development program in Indonesia look like?”

There are some sub-questions that will help to answer and explain the main question. Those questions are:

1. What is LED? and What is LED programs in Indonesia?

It is important to know why LED is important in improving the economical condition of local people. This thesis therefore will give an overview of LED, which generally is about the history and the definition of LED and the major programs of LED that has been done around the world. Further, LED programs in Indonesia will be presented to give a good picture about the program.

2. What is evaluation? Why is it important to evaluate LED program?

To assess whether the LED program is successful or may need improvement, we need to evaluate the program. Thus, before creating the evaluation design, we need to know the background of evaluation itself.

3. Which frameworks are available and which one is suitable for my purpose and how do we have to define suitable?

In this part, a framework for evaluating LED is presented preceding with brief overview of literature on model evaluation and previous works on LED evaluation.

4. What is the result of evaluation of LERD project in Indonesia?

A case study of a LERD project in Indonesia is presented using the framework for evaluating LED.

1.4 Research objective

The objective of this research is to design a framework for evaluation of LED program. For that purpose, an evaluation framework will be used to evaluate the LERD project in Indonesia as part of LED program.

1.5 Research methodology

To conduct evaluation, a framework is developed by using an adaptation of CIPP (Context, Input, Process, and Product) evaluation model. Assessment on product includes the output, outcome and impact of the program. This is conducted based on the logical framework of the program.

Based on the proposed framework for LED evaluation, a real evaluation is conducted. A case study of LERD project evaluation in Indonesia is selected for evaluation and analysis. To conduct the evaluation, the data is gathered through the use of qualitative and quantitative data. According to Yin (1992), the case study is not limited to either qualitative or quantitative data, but can incorporate both varieties of evidence.

The use of a mix of combination of quantitative survey and qualitative data collection is supported by literature in program evaluation (Bartik & Bingham, 1995; Binnendijk, 1989). Evaluation sometimes needs to incorporate broader values, not only economic indicators. Unfortunately data on the required indicators are often difficult to collect (Reese & Fasenfest, 1997).

The strategy in conducting this research is as follows: a framework for evaluation is prepared based on literature on evaluation models and previous works on LED evaluation. A case study of LERD project in Indonesia is selected. The LERD project is executed in two different collaborations. The first collaboration is between UGM-HIS and the second is LERD implemented through collaboration of ITB-RUG.

A framework based on the CIPP (Context, Input, Process, and Product) evaluation model is employed. Since there is an alert that using CIPP could consume a lot of time for collecting data, the strategy in data collection is twofold. First, a set of information of the program and previous evaluation (including survey questionnaire and its result) from Bappenas is used. Second, additional survey questionnaire is conducted via email. The email addresses are obtained from phone calls to participants of LERD projects. The phone numbers are gathered from the Bappenas database. Unfortunately, not all participants are able to be contacted via phone. Some of the phone numbers are outdated. Overall, those data will be collected and further analyzed following the LED evaluation framework.

1.6 Contributions

Evaluation is one of the main important elements of any program and project that the government or any institution is engaged in. Discussions on design evaluation in this thesis hopefully could contribute to both social and academic aspects. For policy makers, discussion on LED and evaluation of LED are interesting. Better evaluation procedures could contribute to improvements of the program in the future. From the academic side, development of a model or a framework for evaluation is also interesting. In this regard, this thesis could add to the literature on LED evaluation.

1.7 Outline of the thesis

This thesis will be organized as follows. Chapter 1 is an explanation of the background of research, questions, objective and methodology for the research. Chapter 2 presents an overview of LED program, containing a definition of LED and the major LED programs in the world. Chapter 3 goes further by providing a more in depth description of LED projects that have been executed in Indonesia. Then in chapter 4, program evaluation is discussed, starting with definitions and followed by history and the concept of program evaluation. Furthermore, this chapter presents identification of evaluation models in the literature. Chapter 5 presents a design framework for LED evaluation. It is started by a brief review of literature on LED evaluation framework and previous work on LED evaluation. It is then followed by designing evaluation for LED program based on literature. Chapter 6 is working with case of the LERD project by presenting results on evaluation of the project based on discussed framework in previous chapter. Chapter 7 then concludes the thesis.

CHAPTER 2

LOCAL ECONOMIC DEVELOPMENT

2.1 Definition

A lot of authors have made their own definition of Local Economic Development (LED) based on their research. This thesis will present the three main definition of LED and they will create a good base for coming to a good description of LED. Definition of LED by Helmsing (2001):

Local economic development (LED) is defined as a **process** in which partnerships between local governments, community-based groups and the private sector are established to manage existing resources to create jobs and stimulate the economy of a well-defined territory. It emphasizes local control, using the potentials of human, institutional and physical resources. Local economic development initiatives mobilize actors, organizations and resources, develop new institutions and local systems through dialogue and strategic actions.

Definition by Swinburn et al (2006) that has been used by the World Bank in their website:

LED is a **process** which whole parties from public, business, and non-governmental sector cooperated and work collectively, in order to create better conditions for economic growth and employment generation...The principle of LED is to increase the economic capacity of a local area thus it will improve the economic future and the quality of life for all.

And the definition by Canzanelli (2001) that has been used by International Labour Organization work paper:

L.E.D. is a participatory **process** that encourages and facilitates partnership between the local stakeholders, enabling the joint design and implementation of strategies, mainly based on the competitive use of the local resources, with the final aim of creating decent jobs and sustainable economic activities.

From all three definitions above, the main principle of local economic development is about a *process* that *collaborates all stakeholder* levels (local people, local government, private sector, investor, etc.) and use potential local resources *to create or improve the quality of life* in the community. Those components will be discussed further in this chapter.

2.2 History

Nowadays the term of local economic development is globally well-known. Started from economic development, Schumpeter, who wrote the first article about it, explains the theory and cause of economic development (Pater, 2007). There is one difference between economic development and local economic development. In Nel and Goldman's (2005) report, they

made a question to some important people in Africa regarding the difference between economic development and LED. The main principle is that economic development is a 'macro approach' or 'broader' development, a city-wide strategy, and increasing revenue, meanwhile, local economic development is a 'micro and meso-level intervention', local issues with local partnership in local areas (Nel and Goldman, 2005).

According to Nel (2001), since 1980s, an ever growing number of academic researches on local economic development have been done. Those researchers are: Reese (1993), Judd and Parkinson (1990), Zaijer and Sara (1993), Clarke and Gaile (1998), and Nel (1999, 2001), and more authors write and discuss about LED after 2000 (see Nel, 2001). However, LED was first widely practiced in the North countries, or we can say in developed countries, meanwhile in the South, LED become a new phenomenon after a crisis and when there is a need to challenge poverty, unemployment, and also to improve growth and quality of life (Nel, 2001).

The World Bank¹ also explains the background of LED development from past to present. It started in the 1960s, the first wave of LED focused on foreign direct investment that was interested in mobile manufacturing and hard infrastructure investment. In the 1980s to the mid of the 1990s, the second wave still focused on outside investment but this time they concentrated on the growing of local business. In the third wave, which happened from the mid of the 90s until now, is almost the same with the second wave, however, in the third wave, the LED focuses more on how to make a conducive business environment, such as soft infrastructure investment, public or private partnerships, networking and leveraging of private sector investments for public good, and inward investment attraction to add the competitive advantages of local areas.

In the 21st century there are some changes in the role of economic development. In his article, Helmsing (2001) discusses the new concept and defines the principal characteristics of new local economic development, which are: a) *multi-actor* – the success of LED depends on its stakeholders, such as how to mobilise public, private and non-profit actors; b) *multi-sector* – LED involve public, private and community sectors of the economy; c) *multi-level* – in globalisation, local communities was faced rapid global changes. It becomes a competitive threat but also a resource opportunity for them to develop their own communities and quality of life. The motto "think globally and act locally", is a suitable phrase for LED stakeholders in helping a local community to grow.

¹ Retrieved at October 21st 2009, from <http://go.worldbank.org/XC74PWPTZ0>

2.3 Actors of Local Economic Development

LED results are determined by the importance of the involvement of all stakeholders and also the sustainable partnership between them. Without good partnership, the success of LED project will be meaningless. It is futile for the project when there is lack of coordination between stakeholders, thus partnerships is an important factor of a project's effectiveness. OECD also strengthens the importance of partnership. It is said that partnership can bring synergy and coordination between stakeholders and can also lever in additional project proposals, resources and competencies. (OECD-LEED, 2000) In a good partnership, people can learn new experience and knowledge and also have new information regarding the project. Thus, the partnership should be planned well and seriously, not only during the planning period but also during the monitoring and evaluation. (Fiszbein and Lowden, 1999)

But who are the important stakeholders involved in LED? In general, the stakeholders are the local government, private sector, community, universities, and non-governmental organizations. Helmsing (2001) adds more definitions of the actors involved in LED, first of which is community organization. This organization may come from local tradition and customs (bottom-up), and also from local or national government legislation (top-down). Second, it is the local producers and their association, which consist of local entrepreneurs. However, Helmsing thinks that those people mostly work individualistically and are difficult when it comes to combining competitions with cooperation. And finally, the local government that commonly has problems in less spending of their budget on direct economic development support.

It is important to look after the partnership between public agencies and social actors. Based on OECD (2000) the public agencies consist of local and regional authorities and/or offices of central government, meanwhile social actors consist of employers, community, and voluntary organizations, trade union, cooperatives, development agencies, and/or universities. In every project, it should be best to have an appropriate different model, because each project has different local conditions, characteristics of the problems, institutional environment, political factors, experience and also culture. (OECD-LEED, 2000)²

2.4 LED Concepts and Strategy

² From OECD-LEED "Best Practices in Local Development", 2000, quoted by Canzanelli, G. in his paper "Overview and learned lessons on Local Economic Development, Human Development, and Decent Work", 2001.

According to OECD, local development can be categorized into two strategies: top-down sector instrument and bottom-up local development strategies. However, today development shifts more to bottom-up strategy. Top-down instrument is a central government's strategy to build and develop local community through new physical infrastructure, such as transport and communications facilities or industrial sites and premises. This is also a strategy from the government to invest and support the declining sectors so they can grow and also stimulate the lagging areas (Canzanelli, 2001). On the other hand, bottom-up strategy is an effective way for supporting long-term development, for example to support entrepreneurship, developing human capital, spreading innovation and building local institutions and firm networks (Canzanelli, 2001).

In his article, Helmsing (2001) defines two kinds of local development:

1. Community based economic development

According to Blakely (1994), this strategy's aims are to stimulate a sense of community, to promote self-help empowerment, to contribute the generation of self-employment, to improve living and working conditions in settlements, and to create public and community services (Helmsing, 2001).

The components of community based economic development strategy:

- a. Creating local safety nets – which can reduce insecurity that is caused by the inability to withstand economic shocks, for example: day care centres that can be the basis of local support networks at local community level. Another example is financial safety net that is created from the formation of savings and credit groups to help people in making an income emergency, like the one in Sri Lanka and Peru.
- b. Housing improvement and settlement upgrading – improve the settlement and housing quality by creating space for basic services which includes water, sanitation, health and education facilities. By improving the settlement, it can develop and support the activities of home based economic and small enterprise.
- c. Basic service delivery – unbundling of service delivery within private sectors are needed in order to determine which components of the process can be privatised in either commercially or on a non-profit basis.
- d. Stimulating community economy – micro-enterprise programmes is the core of community programmes, which consist of some components: credit, training and technical assistance and marketing.

2. Enterprise and business development

The activity specialization of firms is needed and is an important growth mechanism, and it also becomes the competitive advantages and position of firms. As local producers, for

example, they can generate more incomes as production's volume increases while the variable costs decrease. There are three important components in this development, they are: local producers, the creation of private regulatory and support institutions by joint action among local producers, and the last is the local collective action of local producers to lobby for public support institutions and infrastructure. (Helmsing, 2001)

The development can be done in two directions: 1) strengthening the process that may enlarge the enterprises and employment in allied services; 2) advancing the local participation by investing in existing local firms, or by selecting attractive external firms. They also need to build business development services (BDS) to help acquire knowledge between markets and enterprises.

2.5 LED programs around the world

In the book of Regional and Local Economic Development in South Africa by Nel (1999), first LED programs have been done in some developed countries, and then have shifted to more developing countries or third world countries, and most of the projects have been done in Africa.

This thesis takes Indonesia as the study case. There are quite many LED programs held in Indonesia, such as Parul, KPEL, and LERD. There also some other programs that are held by private institutions or by other universities, for example SEED. Those programs will be discussed in next chapter.

CHAPTER 3

LED PROGRAM IN INDONESIA

Since 1999 the Government of Indonesia has decentralized responsibility for delivery of public services to the district level. At the same time, the government started democratic reforms to increase citizen participation in development. In the past, the central government played a central role in the economy by dominating economic decisions. Following the democracy era starting in 1998, Indonesia's political new reform agenda has been dominated with the need for participative and decentralized decision-making.

In this new political context, local actors have a greater role than before in terms of responsibility for economic growth. Therefore, leaders and citizens need to work together to manage local resources, potentials and competencies with a vision for to developing their community.

Based on Law Number 25 of 1999 on fiscal balance and Law Number 22 of 1999, the local governments received new responsibilities. This includes grappling with economic development and poverty alleviation. Decentralization thus encourages local government to find effective solutions. As democracy emerges, it calls for participatory mechanism in decision making process and for engaging citizens in prioritizing issues and sharing responsibility for implementation and optimizing resources.

Many regions in Indonesia fail to develop, primarily because they are inadequately connected to the mainstream economy. Rural areas with weak links to urban areas are handicapped in competing in regional, national and international markets. This undermines motivation to produce, invest, raise productivity, diversify production, or engage in new activities (EGAT/UP & The Urban Institute, 2003).

Economic growth is a necessary pre-requisite for addressing poverty but not sufficient. The growth must also be pro-poor and locally rooted. In this context local economic development is important for assuring that the local community can participate in economic development and at the same time receive attention from the government.

This chapter provides an overview of LED in Indonesia by presenting some LED projects. Three projects will be presented in the following sections: PARUL & KPEL, SEED program, and LERD & REDS training.

3.1 PARUL

As a result of the Asian financial crisis in 1997/98, there are negative impacts on the Indonesian economy both in the urban and rural areas. However, among other sectors, the small and medium-sized enterprises producing and trading agricultural products seem to be the most resilient during the crisis period. The producer of agricultural products that export the products received more profits as the impact of exchange rate depreciation. Since a lot of producers of the agricultural products are small-scale producers, they need to collaborate with larger scale enterprises in order to sell the product to foreign countries. In this regard, an attempt is needed to link small scale producers in rural areas with larger scale enterprises in the urban area which finally support local economic development.

As the government recognizes that small and medium-sized enterprises become more important as a vehicle for local economic development, it led to the initiation of PARUL (Poverty Alleviation through Rural-Urban Linkages) project. PARUL began as a pilot program to strengthen rural-urban linkages in selected provinces and districts in Indonesia.

UN-Habitat defines that PARUL is a joint project between the government of Indonesia, UNDP and UN-HABITAT. PARUL's objectives are to promote a more balanced pattern of urban and rural development, to promote LED of selected regions and to raise incomes and create productive employment opportunities for poor households in less developed regions (UN-Habitat, 2005).

PARUL is designed not to cover all economic activities, but focuses on exporting in potential sectors or commodity. Examples include cashews in South Sulawesi, coconuts in North Sulawesi, offshore fisheries in Papua, etc. The entry point of PARUL's strategy is to choose one agricultural commodity in each region and facilitate its production and marketing while ensuring that its income benefits the poor (Momen, 2006).

To be able to link rural producers and urban based exporters, PARUL works at district and province levels. At district level, PARUL assists in the establishment of the *Kabupaten* implementation team. The team member is composed of stakeholders related to and involved in the selected commodity. PARUL then assists these kinds of public-private partnership organizations to develop action plans and to strengthen capacity to tackle problems and issues related to the selected commodity. At the province level, PARUL creates a cluster development partnership from stakeholders who is concerned with the selected commodity.

PARUL as an LED Program

PARUL is designed as an LED project with an approach using market driven strategy. It focuses on development of clusters of economic activities based on some key export commodities. Therefore, there are some implications of PARUL as an LED program.

PARUL can be seen as a LED that is based on the promotion of export activities of products in the rural area by connecting the producers who have limited resources and capacity in export activities, with enterprises and traders in urban areas that carry out export activities.

PARUL can also be seen as a LED that focuses on cluster development. The cluster is established based on commodities that have an export potential. Thus, a market driven approach is suitable to support the goal of local economic development in PARUL project areas.

Active participation of stakeholders composed from agricultural producers, small scale producers, small and medium entrepreneurs, exporters and local governments in the planning and decision making could support public private partnership effort in local economic development.

While public-private partnership is strongly encouraged, local governments should play a role in PARUL projects. For example, a local planning organization is required to identify local export commodity and problems facing the export process and commodity production. Another task is to improve the linkage and between rural farmers, or producers, and exporters in urban area.

3.2 KPEL

KPEL, stands for *Kemitraan Pembangunan Ekonomi Lokal* (Partnership for Local Economic Development Project) is a cooperation between UNDP, UN-HABITAT (the United Nations Human Settlements Programme) and National Development Planning Agency (Bappenas) Indonesia. The project was held from 1998 until 2004. It was a respond to the financial crisis that happened in 1997 in order to reduce the poverty level in Indonesia by supporting economic recovery, addressing the transition in public administration, linking poorer areas to mainstream economy, and promoting responsive policies and action at local level to boost local economies (KPEL Secretariat, 2002). This is to note that before the decentralization era,

the economic sector was seen as the domain of the central government, with them taking the lead in formulating policies and economic development programs. The role of the regional governments was limited to implementation and oversight on behalf of the national government.

In practice, KPEL should facilitate citizen participation, community empowerment and transparency as well as accountability. As such, it addresses the needs of the public sector, the private sector, and the community sector. Since KPEL is essentially a collaboration between the public sector, the private/producer sector and the community sector, each of the sectors must become beneficiaries, although the particular benefits they obtain may differ.

One of the added values of KPEL is the idea of stakeholder collaboration and partnerships with local economic development. It offers an approach to respond to the specifics of local conditions, harness local resources and capacity, and develop an inclusive strategy for economic development and growth.

KPEL is one of the community empowerment programs to build self-reliance and promote local economic development. The approach focuses on establishing partnership, which promotes LED through identifying new market opportunities, adding value and improving backward and forward linkages for export commodities. KPEL is one of the models being offered by Bappenas to assist local governments in addressing poverty by boosting local economic development and strengthening democracy and community empowerment through the facilitation of public-private partnership (United Nations, 2005).

The project started in 1998 by consulting the initial plan with main stakeholders, and was then followed by a pilot phase to test the appropriateness and applicability of the methodology. The implementation phase started in 2000. Bappenas, who initiate the pilot phase, selected the regions of the project based on these main criteria: incidence of poverty, economic potential, and willingness and commitment of the local government to implement KPEL.

The outcomes of KPEL according to KPEL Secretariat (2002) are:

1. KPEL partnerships help small enterprise/ entrepreneur/ producers to access larger markets. It also had an in-built governance component to facilitate private-public partnerships.

2. Producers worked in “clusters” to strengthen their bargaining position and to create economies of scale. It also helped improving the products’ quality and to learn innovative marketing technique.
3. KPEL becomes a valuable field of knowledge and experience and also networking to exchange ideas. There is a handbook from the KPEL project implementation that is useful for assisting other economic development programs or organizations in other locations.

KPEL has applied its own monitoring and evaluation starting from pilot phase. The monitoring was made for reporting the progress effectiveness and efficiency in accordance to expected outputs. A Project Support Unit was implemented in each location to facilitate the establishing of partnerships and also to support the implementation phase. A Provincial Support Unit was responsible to give complete reports about the project to National KPEL Secretariat, who would then report to Multi-stakeholder forum. KPEL also made a periodic evaluation that is used to conduct the progress report, grasp the lesson learned to change any decision if needed.

The final evaluation was carried out by an external evaluator one year after the project finished. The result is that the project has successfully obtained a key role to help improving the business environment in selected locations and was also easy to be adapted in other locations. KPEL strategy became an important policy instrument in improving local business environment and supporting the achievement of Millennium Development Goals. However, this evaluation did not assess the macro impact on local economies because it could be challenging since there are various external factors that would influence the result of evaluation.

3.3 SEED (Social Enterprise for Economic Development)

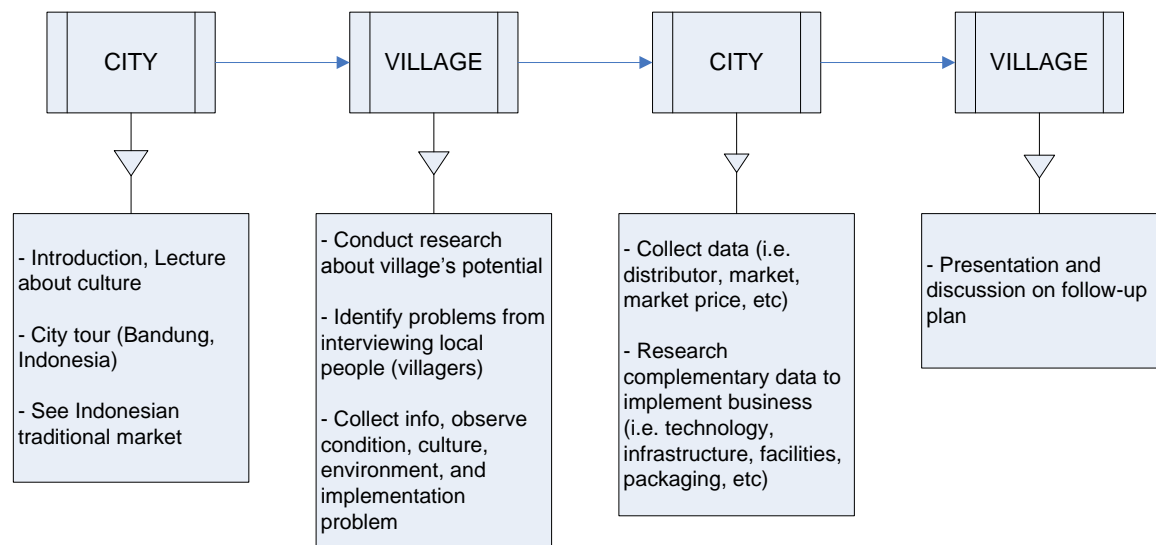
Social Enterprise for Economic Development (SEED)³, started in 2007, is a project that was held between universities or institutions from several countries, which are the School of Business and Management, the Institute Technology of Bandung (SBM ITB), the Asia Research Centre (ARC), the University of St. Gallen (HSG), and also the Chair for International Management (Southeast Asia). The background is to make a cross-cultural learning in Asian real life context, and to promote economic development in target villages and make a continuous cooperation and contribution to social enterprise. This program was

³ From slide presentation Dr. Agung Wicaksono, MSc, MBA (SBM ITB). Social Enterprise for Economic Development (SEED): Implementation and Example of Result. January 10th 2010.

first held in West Java, Indonesia, and now it is extended through the ASEAN Learning Network to Malaysia, the Philippines, and Vietnam, that collaborating with local universities in each country.

The key indicators for SEED are the village, students (the participants), faculty (tutors who guide the students/participants in doing their research), and the operational process. The *village* which is chosen is economically underprivileged and also has some existing activities (cooperatives, etc.). The *participants* are from international (preferably students from Europe and Asia) and local students (students from where the project is held, e.g. students from SBM ITB when the project is held in West Java, Indonesia), and they are a mix from undergraduate and postgraduate level with various backgrounds. The *faculty* helps the students in doing their research, and mostly they come from local universities. They have to suit the criteria, which says that they have to understand the sociology (social mapping), the business (financial/business planning), and the local language. The lecturers, who teach students before they do research at the village, are from ITB and University of St.Gallen. Meanwhile, for the *operational* procedure, there are three important parts for the participants to feel comfortable in doing their research: management committee – who is responsible for the research project, especially at the village; logistic; and hygiene (food, medical, sanitation). The flow of this project can be seen at the Figure 3.1.

Figure 3.1. The flow of SEED implementation



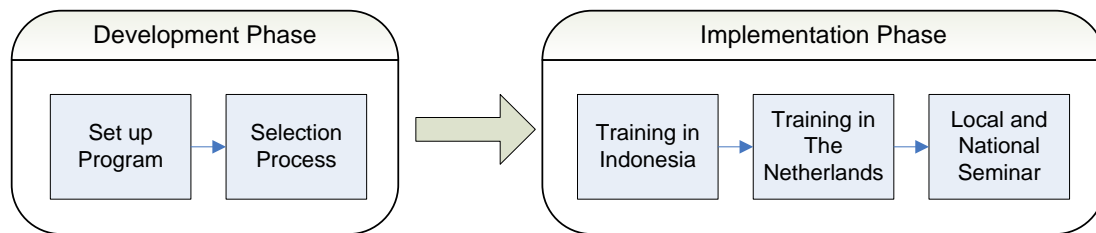
(source: SEED presentation, 2010)

The result of SEED can be seen as business development, which is the development of one potential product of the local village, and also developing a plan to shift the form of Koperasi (local cooperatives) to Microfinance (like Grameen Bank in Bangladesh).

3.4 LERD Indonesia

LERD, or Local Economic Resource Development, was held in Indonesia, as cooperation between the Indonesian government represented by Bappenas, and the Dutch government represented by NESO. It was held from 2003 until 2008, and has been improved into a new program, named REDS (Regional Economic Development Support). This program's main activity is training, which focuses on creating a team as an initiator. Bappenas and NESO, who financed the program, gather and choose local people from some provinces in Indonesia, and then they were trained to develop their own local communities. After the training, those people should implement the action plan. About six months later, the local seminar would be held to discuss the action plan incorporating participation from other stakeholders in the region. Finally, a national seminar would be held one year after the training to present the result of the action plan to Bappenas and NESO. The flow of LERD is shown in figure 3.2.

Figure 3.2 LERD program



(source: Wolfard, 2008)

The aims of LERD training are: (1) short term – to improve the skills and knowledge of local people (in this program, local government) in planning their local community's development by focusing on creating conducive environment to manage local economy resources so they can increase the income and local economic growth; (2) long term – to improve the competitive advantages in export and local income. (Bappenas, 2008)

The training material focuses more on knowledge and skills in coordinating and interacting between stakeholders (government – entrepreneurs – local people) as a synergy in the development process. Thus the trainees will contribute in developing a conducive environment for managing local economy resource, increasing income and also job employment.

LERD program has been done from 2003 to 2008 (except 2004) in various cities in Indonesia. Further information about LERD projects have been discussed and explained in

the Master thesis by Wolfard (2008). In his thesis, Wolfard (2008) has attempted to compare the LERD implementation and the local economic development theory. To analyse how the LERD project was organized, he used an ideal development model of Birkholzer (2005). The ideal model or concept for a programme of local economic development developed by Birkholzer (2005) consists of 9 steps: (1) analysis of the local economy and social structures; (2) make a planning process in which stakeholders are involved; (3) build decentralized promotion and support facilities; (4) build up new and to strengthen existing social networks; (5) counseling education and training for economic self-help; (6) Set up public development centers for project development and innovation; (7) Social marketing resp. creating new relations between consumers and producers; (8) Promoting new forms of social and/ or community oriented enterprises; (9) Social financing or alternative financing instruments. The result from the analysis done by Wolfard (2008) is comparing LERD process and the ideal model, and it is summarized in Table 3.1. In general, we can say that the 9 step of ideal model of economic development was implemented in LERD project and most of them are categorized as success, while only in some regions are less success and not success due to some problems.

Table 3.1 Analysis on LERD Process According to an Ideal Model

Step Number & Process		Project Implementation		
		Success	Less successful	Not success
1	Analysis of the local economy and social structures	All regions (did not form a problem in any of the projects)		
2	Make a planning process in which stakeholders are involved	Klaten, Batu, Serang (the needs of the local stakeholders are met)	Palembang, Tasikmalaya (problem with the leadership, organization and/ or management)	Bima
3	Build decentralized promotion and support facilities	Kalimantan, Bima, Serang, Batu, Klaten		Tasikmalaya, Aceh, Palembang (no decentralized promotion and support facilities are set up)
4	Build up new and to strengthen existing social networks	Serang, Batu, Klaten (each teams work well as a team)	Almost all projects have difficulties in building new social networks.	Bima, Tasikmalaya (LERD team did not stay connected)
5	Counseling education and training for economic self-help		In most regions some kind of training is set up. In all projects, there is a lack of technical knowledge.	
6	Set up public	Serang, Palembang,		In other projects,

	development centers for project development and innovation	Klaten and Pontianak		no centers for project development and innovation are set up.
7	Social marketing resp. creating new relations between consumers and producers		Marketing is a problem in most projects because there is a lack of a sales network.	
8	Promoting new forms of social and/ or community oriented enterprises	Serang, Pontianak (Some kind of social or community oriented enterprises are set up)		Most LERD projects have not targeted this step yet.
9	Social financing or alternative financing instruments	In all projects the government provides a budget to realize the planned actions from the action plans.	.	

(source: Wolfard, 2008)

3.5 REDS

REDS (Regional Economic Development Support) is a continuation from LERD program which is just started in 2009. Based on evaluations held by the Bappenas in 2008, they made some improvement regarding the training program. In the new training program, they integrate the participants' development schemes and the local economic management. Thus, for Bappenas, the new program will have collaborations with a unit in Bappenas, which is the Directorate for Urban and Rural Affairs (URA), which later on will support the managing development planning process.

REDS program is divided into two parts of trainings; namely the REDS Domestic training and REDS Overseas Linkage training. Both trainings have different objectives and goals, although the vision is one, which is to manage the economic development program. The objective of REDS Domestic training is to enhance planners' competencies in developing a commodities/ product mapping based on systematic stakeholders' identification, and local resources data collection and analysis, as a part of local economic development planning process. The expected output expectation is that the trainees can analyse and develop the products/ commodities mapping in city/district government level. (Bappenas presentation, 2009)

Meanwhile, the main objectives of REDS Overseas Linkage training are (1) to enhance planners' competencies in developing SMART action plans in-line with the product mapping, (2) to increase capacity of involving local stakeholders in a participatory way, (3) to empower the local government in implementation of the current action plan. Bappenas also hopes that after the program, the trainees can develop and implement the SMART Action Plan. (Bappenas presentation, 2009)

According to Bappenas (2009), there are three significant changes from LERD to REDS, those are:

1. REDS domestic training program in Indonesia and REDS Overseas Linkage Training Programs (currently in The Netherlands) has different objectives like has been stated above.
2. The organizers of Domestic training in Indonesia (ITB and UGM) will do the selection process, which includes selection on regions, product, and team members. It is different with the LERD program where Bappenas and Neso did the selection process.
3. There will be a REDS Centre in each region/ city where the trainees come from, whose purpose is to connect and support the alumni of REDS Linkage training. The establishment of REDS Centre will be done in three steps: initiation (1 year after training), development (3 year after training), and establishment (5 year after training). Thus, the sustainability of the project can be controlled and maintained.

3.6 Comparison of Five Projects

Five LED projects have been presented in previous sub chapter. Those five projects can be compared in terms of objective of the project and their main activities or method to reach the objective. Table 3.2 presents a comparison of the five projects. PARUL and KPEL have a similar approach to develop local economy by promoting cooperation or linkage or partnership between rural area and urban and private participation. LERD and REDS also have a similar approach to increase the local capacity in developing their local economy by providing training programs. SEED has an approach in developing local economy by developing business development of a village through assistance from university.

Table 3.2 Comparison of Five Projects

Project	Objectives	Implementation method, procedures and activities
PARUL	To promote a more balanced pattern of urban and rural development, to	Linking rural producers and urban based exporters. PARUL works at district and

	promote Local Economic Development of selected regions and to raise incomes and create productive employment opportunities for poor households in less developed regions	province levels. At district level, PARUL assists in the establishment of the <i>Kabupaten</i> implementation team. The team member is composed from stakeholders related and involved in the selected commodity. PARUL then assists these kinds of public-private partnership organizations to develop action plans and to strengthen capacity tacking with problems and issues related the selected commodity. At the province level, PARUL creates a cluster development partnership from stakeholders who is concerned with the selected commodity.
KPEL	To reduce the poverty level in Indonesia by supporting economic recovery, addressing the transition in public administration, linking poorer areas to mainstream economy, and promoting responsive policies and action at local level to boost local economies	Community empowerment programs to build self-reliance and promote local economic development. The approach focuses on establishing partnership, which promote local economic development through identifying new market opportunities, adding value and improving backward and forward linkages for export commodities.
SEED	to promote economic development in the target village and make a continuous cooperation and contribution to social enterprise	Business development, which is the development of one potential product of the local village, and also developing a plan to shift form of Koperasi (local cooperatives) to Microfinance (like Grameen Bank in Bangladesh). The <i>village</i> is chosen with economically underprivileged. The <i>participants</i> are from international (with preference students from Europe and Asia) and local students. The <i>faculty</i> helps the students in doing their research.
LERD	(1) short term – to improve the skills and knowledge of local people (in this program, local government) in planning their local community's development by focusing on creating conducive environment to manage local economy resources so they can increase the income and local economic growth; (2) long term – to improve the competitive advantages in export and local income.	This program main activity is training for LERD team. Bappenas and Neso, who financed the program, gather and choose local people from some provinces in Indonesia, and then they were trained to develop their own local communities. After the training, those people should implement the action plan.
REDS	<i>Objective for Domestic Training:</i> (1) to enhance planners' competencies in developing a commodities/ product mapping, based on systematic stakeholders' identification, and local resources data collection and analysis, as a part of local economic development planning process.	Same as LERD project with some new changes: (1) The organizers of domestic training in Indonesia (ITB and UGM) will do the selection process, which includes selection on regions, product, and team members. It is different with the LERD program which Bappenas

	<i>Objective for Overseas Training:</i> (1) to enhance planners' competencies in developing SMART action plans in-line with the product mapping, (2) to increase capacity of involving local stakeholders in a participatory way, (3) to empower the local government in implementation of the current action plan.	and Neso who did the selection process. (2) REDS Centre in each region/ city where the trainees come from. The purpose is to connect and support the alumni of REDS Linkage training. The establishment of REDS Centre will be done in three steps: initiation (1 year after training), development (3 year after training), and establishment (5 year after training).
--	--	--

This chapter has presented various LED projects in Indonesia. As it has been established in the first chapter, the project or program need to be evaluated in order to know what has been achieved and what is lessons we can draw to make an improvement for LED project. Before that, a basic understanding of program evaluation is needed. In the following chapter, an overview of program evaluation is presented.

CHAPTER 4

PROGRAM EVALUATION: AN OVERVIEW

This chapter provides an overview of theoretical background, definition and main concept of evaluation in general and program evaluation particularly. It is believed that introduction to the theoretical foundations or assumptions of a discipline (here, it is evaluation) is important to get a better understanding of the topic.

4.1 Definition of Evaluation

Starting with the definition of evaluation, according to Foxon (1989), providing a sound definition is more than a lexicographic exercise; it can clarify and refine concepts, generating a framework within which to develop a pragmatic approach to the subject. Unfortunately, the definition of evaluation is often problematic. Madaus and Kellaghan (2002) present a collection of definitions of program evaluation gathered from the writings of evaluation theorists and practitioners, past and present. There is a range of definitions showing the diversity of ideas within the field on the fundamental concept of evaluation or program evaluation.

According to Joint Committee on Standards for Educational Evaluation⁴, evaluation is the systematic investigation of the worth or merit of an object (educational program, project, or set of materials). To be more specific, according to Stufflebeam (2003), the definition of evaluation that is used by CIPP model is as follows:

Evaluation is the process of delineating, obtaining, reporting, and applying descriptive and judgmental information about some object's merit, worth, probity, and significance in order to guide decision making, support accountability, disseminate effective practices, and increase understanding of the involved phenomena.

Based on that definition, there are four main tasks in the process of evaluation: delineating, obtaining, providing and applying in information. This is related to four purposes of evaluation: guiding decisions; providing records for accountability; informing decisions about installing and/or disseminating developed products, programs, and services; and promoting understanding of the dynamics of the examined phenomena.

⁴ www.jcsee.org

4.2 Brief History of Evaluation

According to Nui, Callanan, Cuddy & Morand (2001), the history of evaluation traditionally comes from the systematic evaluation of programmes in fields such as education to provide literacy and occupational training by the most effective and economical means, and in health care to reduce mortality and morbidity from infectious diseases.

The original mission of program evaluation was to assist in improving the quality of social programs. However, for several reasons, program evaluation has come to focus (both implicitly and explicitly) much more on *proving* whether a program or initiative works, rather than on *improving* programs (Kellogg Foundation, 1998). Although there have been attempts to solve social problems using some kind of rationale or evidence (e.g., evaluation) for centuries, program evaluation in the United States began with the ambitious, federally funded social programs of the Great Society initiative during the mid- to late-1960s (Kellogg Foundation, 1998). Serious attempts to allocate resources into these programs did not solve the complex problems. The public grew more cautious, and there was increasing pressure to provide evidence of the effectiveness of specific programs or initiatives in order to allocate limited resources (Kellogg Foundation, 1998). There was a need to target investments effectively, and a basis for deciding where and how to invest. In this respect, evaluation is necessary. Nowadays, this pressure about effectiveness is still widely influential in ensuring funders, government officials, and the public at large that their investments on social programs are worthwhile.

The roots of what we define as evaluation today can be traced back to a long time ago. Maddaus and Stufflebeam (2000) describe seven periods in the history of program evaluation. The first is the period prior to 1900, which we call the *Age of Reform*; the second, from 1900 until 1930, we call the *Age of Efficiency and Testing*; the third, from 1930 to 1945, may be called the *Tylerian Age*; the fourth, from 1946 to about 1957, we call the *Age of Innocence*; the fifth, from 1958 to 1972, is the *Age of Development*; the sixth, from 1973 to 1983, the *Age of Professionalization*; and finally the seventh from 1983 to 2000 the *Age of Expansion and Integration*. Below is summary of the history of evaluation from Maddaus and Stufflebeam (2002).

THE AGE OF REFORM 1792–1900

- This period is selected as the beginning in the history of program evaluation in 1792 because that is the year in which William Farish invented the quantitative mark to score examinations.

- The first formal attempt to evaluate the performance of schools took place in Boston in 1845. This event is important in the history of evaluation because it began a long tradition of using pupil test scores as a principal source of data to evaluate the effectiveness of a school or instructional program.
- Between 1887 and 1898, Joseph Rice conducted what is generally recognized as the first formal educational program evaluation in America. He carried out a comparative study on the value of drill in spelling instruction across a number of school districts.

THE AGE OF EFFICIENCY AND TESTING 1900–1930

- During the early part of the twentieth century the seminal work by Fredrick Taylor launched the scientific management movement, an early form of personnel evaluation. The emphasis of this movement was on systemization, standardization, and, most importantly, efficiency.
- Surveys done in a number of large school systems during this period focused on school and/or teacher efficiency using various criteria (for example, expenditures, pupil dropout rate, promotion rates, etc.).
- During the late 1920s and 1930s, university institutes specializing in field studies were formed and conducted surveys for local districts. The most famous of these institutes was the one headed by George Strayer at Teachers College.

THE TYLERIAN AGE 1930–1945

- Ralph W. Tyler has had enormous influence on education in general and educational evaluation and testing in particular. He is often referred to, quite properly we feel, as the father of educational evaluation. Tyler began by conceptualizing a broad and innovative view of both curriculum and evaluation. During the early and mid-1930s, he applied his conceptualization of evaluation to helping instructors at Ohio State University improve their courses and the tests that they used in their courses.
- By the middle of the 1940s Tyler had, through his work and writing, laid the foundation for his enormous influence on the educational scene in general and on testing and evaluation in particular during the next 25 years

THE AGE OF INNOCENCE 1946–1957

- While there was great expansion of education, there was no particular interest on the part of society in solving social and education problems and holding educators accountable. There was little call for educators to demonstrate the efficiency and effectiveness of any of the many developmental efforts. Educators did talk and write

about evaluation, and they did collect considerable amounts of data (usually to justify the need for expansion or for broad, new programs). However, there is little evidence that these data were used to judge and improve the quality of programs or that the data could have been used for such a purpose.

- We have labeled the period 1946 to 1947 The Age of Innocence, not because work in evaluation did not proceed but because the work seemingly had no social purpose. The great deal of technical development in evaluation was just that. It was not geared to identifying beneficiaries' needs and critically examining society's response to the needs.
- During this period there was considerable development of some of the technical aspects of evaluation; this was consistent with the then-prevalent expansion of all sorts of technologies. Chief among these developments was the growth in standardized testing. Many new nationally standardized tests were published during this period.

THE AGE OF DEVELOPMENT 1958–1972

- Evaluation expanded as an industry and into a profession, focused on helping to meet society's needs and depended on taxpayer monies for support.
- A number of new national curriculum development projects, especially in the areas of science and mathematics, were established. Eventually funds were made available to evaluate these curriculum development efforts.
- In 1965, guided by the vision of Senator Hubert Humphrey, the charismatic leadership of President John Kennedy, and the great political skill of President Lyndon Johnson, the War on Poverty was launched. Accompanying this massive effort to help the needy came concern in some quarters that the money invested in these programs might be wasted if appropriate accountability requirements were not imposed. In response to this concern, Senator Robert Kennedy and some of his colleagues in the Congress amended the Elementary and Secondary Education Act of 1964 (ESEA) to include specific evaluation requirements.
- The late 1960s and early 1970s were vibrant with descriptions, discussions, and debates concerning how evaluation should be conceived.

THE AGE OF PROFESSIONALIZATION 1973–1983

- Beginning about 1973 the field of evaluation began to crystallize and emerge as a profession related to, but quite distinct from, its forebears of research and testing. While the field of evaluation has advanced considerably as a profession, it is

instructive to consider this development in the context of the field in the previous period.

- A number of journals, including *Educational Evaluation and Policy Analysis*, *Studies in Educational Evaluation*, *CEDR Quarterly*, *Evaluation Review*, *New Directions for Program Evaluation*, *Evaluation and Program Planning*, and *Evaluation News* were begun; and most of these journals have proved to be excellent vehicles for recording and disseminating information about the various facets of program evaluation.
- Many universities began to offer at least one course in evaluation methodology (as distinct from research methodology); a few universities—such as the University of Illinois, Stanford University, Boston College, UCLA, the University of Minnesota, and Western Michigan University—developed graduate programs in evaluation.
- There were, during this period, some promising developments and growing search for appropriate methods for evaluation.

THE AGE OF EXPANSION AND INTEGRATION 1983–2001

- There has been great expansion of the professional field of evaluation. In 1995, AEA focused its convention on international cooperation in evaluation and invited evaluators from around the world to attend. The meeting was a great success and spawned a continually growing involvement of internationals in AEA's meetings and other work. Additionally, more than 20 evaluation associations have been established across the world, with a concomitant increase in evaluation journals emanating from other countries.
- There has also been increased activity in the development and use of professional standards for evaluation. Building on *The Program Evaluation Standards*, the Joint Committee on Standards for Educational Evaluation has developed standards for personnel evaluation (Joint Committee, 1988) and at this period is developing standards for evaluations of students, especially in classroom settings.

4.3 Type of Evaluation

Scriven (1996) argues there are two types of evaluation: formative and summative evaluation. In short, the explanation of those two types is below.

- Formative evaluation is an evaluation which is designed to provide some early insights into a program or intervention. The objective is to provide early information for management about the sub of the program or project that are working and those that need attention in order to achieve the intended goals. Formative evaluation is generally carried out throughout a project or program.

- Summative evaluation is an evaluation which is designed to judge the effectiveness of an activity in terms of its outcomes and impact. Usually summative evaluation is conducted after the program or intervention has been fully executed. Summative evaluation is concerned more with a program's overall effectiveness.

Meanwhile, Hansen (2005) noticed two traditions in evaluation: (1) program evaluation and; (2) organizational evaluation. Program evaluation focuses on assessments of programs while organization evaluation is most often referred to as approaches to assess organizational effectiveness. Organizational effectiveness focuses on the efforts of organizations and is somewhat generic in the sense that the intention has been to direct it towards, and be relevant for, all types of organizations. Recently, the focus has shifted towards how the generic tradition can be adapted and further developed in order to be of greater relevance for understanding the conception of effectiveness characterizing public organizations.

4.4 Program Evaluation

A provocative paper by Bartik & Bingham (1995) who is asking the question in their title of paper “Can economic development programs be evaluated?” is an interesting trigger to think about the issue of program evaluation. In their paper, at the end they conclude that economic development program can indeed be evaluated.

According to Royse, Thyer, & Padgett (2009 pp.12), program evaluation is applied research used as a part of the managerial process. Unlike theoretical research, where scientists engage in science for its own sake, program evaluation systematically examines human services programs for pragmatic reasons.

There are some reasons why program evaluation is needed. Royse et. al. (2009 pp. 13) come up with 4 scenarios in which program evaluation is needed. Those four are:

- the required evaluation as a mandatory for application for funding
- competition for scarce fund
- evaluation of new interventions
- evaluation for accountability

Motivation for people or institution to conduct program evaluation basically could come from hypotheses or from questions (Royse et al., 2009). Those two sources of motivation are illustrated in figure 4.1 below.

Table 4.1 Motivation for Program Evaluation

We want to show:	We want to know:
1. That clients are being helped	1. Are clients being helped?
2. That clients are satisfied with our services	2. Are clients satisfied with the services received?
3. That the program has an impact on some social problem	3. Has the program made any real differences?
4. That a program has worth	4. Does the program deserve the amount of money spent on it
5. That one program or approach is better than another	5. Is the new intervention better than the old?
6. That the program needs additional staff or resources	6. How do we improve this program?
7. That staff are well utilized	7. Do staff make efficient use of their time?

Source: (Royse et al., 2009)

It is well understood then that program evaluation is considered important and necessary. However, even though conceptually it is acceptable that program evaluation is important, the implementation sometimes is not easy. Bamberger (1989) reports that while considerable progress has been made in the organization of central monitoring and evaluation systems in all South Asian countries, there continues to be a number of organizational, political, and methodological problems that limit the contributions of these monitoring and evaluation systems to project management and development planning.

In addition, Binnendijk (1989) who review the past experiences of the major development assistance donor agencies with the monitoring and evaluation (M&E) of development projects in the developing countries finds some key problems and lessons learned in the efforts to monitor and evaluate development activities. These problems are conceptual and methodological problems and organizational and management problems.

4.5 Evaluation Model

In the literature of evaluation, there is a rich variety of alternative approaches to evaluation. The approaches are sometimes called model, approach or framework.

According to Stufflebeam (2001a), there are 22 approaches/models of program evaluation in the literature which is mostly from the last half of the 20th century. Those program evaluation approaches could be classified into four categories. The first category includes approaches that promote invalid or incomplete findings (referred to as pseudoevaluations), while the other three include approaches that agree, more or less, with the definition (i.e., Questions and/or Methods- Oriented, Improvement/Accountability, and Social Agenda/Advocacy). Of

the twenty-two program evaluation approaches that are described, two are classified as pseudoevaluations, thirteen as questions/methods oriented approaches, three as improvement/accountability-oriented approaches, and four as social agenda/advocacy approaches.⁵

Hansen (2005) identified that a variety of different evaluation models which are found in the evaluation literature. These mostly fall into the following categories: results models, process models, system models, economic models, actor models, and programme theory models.⁶

Kahan (2008) summarizes the major approaches, based on the literature. Those are: Goal based, Goal Free, Theory Based (logic model), Utilization, Collaborative, Balanced Score Card, Appreciative Inquiry, External, Kirkpatrick and CIPP. Approaches vary on the basis of what is evaluated, who participates in the evaluation, evaluation purpose, and how the evaluation is conducted.

With so many models available in the literature, it comes to a question which of the models is applicable and best to evaluate some specific program. Hansen (2005) suggested that design of evaluation should be determined by the purpose of the evaluation, the object of evaluation or the problem to be solved by the evaluated programme or agency.

While there are a lot of approaches in the literature, some approaches have become prominent. Those are CIPP model, Four level (Kirkpatrick) model, Logic Model and Constructivist (Fourth generation) model. Each model of course has its own strength and weakness. For example of review on Kirkpatrick and CIPP model, Kahan (2008) noted that the Kirkpatrick model is straightforward, but the potential weakness is the model does not explore the way or how of results. Meanwhile the CIPP model has an advantage that it takes into account a range of environmental factors from politics to personalities. However, Kahan (2008) gives an alert that CIPP potentially time consuming.

In the following sub sections, those four evaluation model (CIPP, Kirkpatrick, Logic and Constructivist) are presented. Not all models of course will be employed in this thesis, but the idea of presenting those four models is to give a background understanding or brief overview of evaluation models in the literature in which based on this availability, a model will be selected as point of departure for designing evaluation framework.

⁵ For further descriptions of those 22 models, see Stufflebeam (2001a)

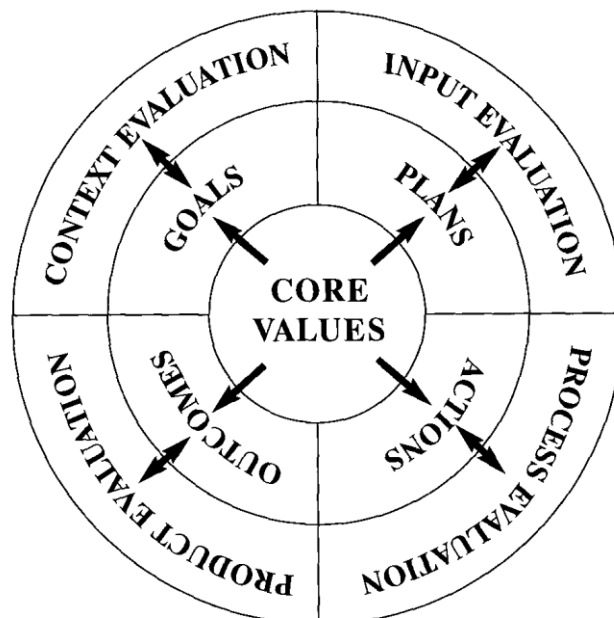
⁶ For explanations of those category of models, see Hansen (2005)

4.5.1. CIPP Model

In this sub section, a CIPP evaluation model is presented based on explanation of CIPP model from the publication of Stufflebeam (2002, 2003). The model first developed by Stufflebeam in the 1970s. The CIPP model is actually a simple system model but quite comprehensive for the program evaluation.

Key components of CIPP model are presented in figure 4.2. There are four types of evaluation in the model: Context, Input, Process and Product. Hence, CIPP stands for context evaluation, input evaluation, process evaluation, and product evaluation. It serves to a particular evaluative focus: Goals, Plans, Actions and Outcomes with two way relationship. The task of setting goals raises questions for a context evaluation, which in turn provides information for validating or improving goals. Planning Improvement efforts generate questions for an input evaluation, which correspondingly provides judgments of plans and direction for strengthening plans. Improvement activities bring up questions for a process evaluation, which in turn provides judgements of actions and feedback for strengthening them. Accomplishments, lack of accomplishments and side effect command the attention of product evaluations, which ultimately judge the outcomes and identify needs for achieving better results.

Figure 4.2 Key Components of CIPP model



(Source: Stufflebeam, 2003)

Context evaluation includes examining and describing the context of the program, assessing needs and goals, determining the objectives of the program and its responsiveness to the

identified needs. *Context evaluation* assesses needs, problems, assets, and opportunities within a defined environment. *Needs* include those things that are necessary or useful for fulfilling a defensible purpose. *Problems* are impediments to overcome in meeting and continuing to meet targeted needs. *Assets* include accessible expertise and services—usually in the local area—that could be used to help fulfill the targeted purpose. *Opportunities* include, especially, funding programs that might be tapped to support efforts to meet needs and solve associated problems.

An input evaluation assesses the proposed program, project, or service strategy and the associated work plan and budget for carrying out the effort. Input evaluation is useful to help prescribe a program, project, or other intervention by which to improve services to intended beneficiaries. Input evaluation includes activities such as a description of the program inputs and resources, a comparison of how the program might perform compared to other programs, a prospective benefit/cost assessment. Input evaluation examines what the program plans on doing.

Process evaluation is an ongoing check on a plan's implementation plus documentation of the process, including changes in the plan as well as key omissions and/or poor execution of certain procedures. Process evaluation includes examining how a program is being implemented, monitoring how the program is performing, auditing the program to make sure it is following required legal and ethical guidelines, and identifying defects in the procedural design or in the implementation of the program. A process evaluation should contrast activities with the plan, describe implementation problems, and assess how well the staff addressed them. It should document and analyze the effort's costs. Finally, it should report how observers and participants judged the quality of the process.

Product evaluation determines and examines the general and specific outcomes of the program. Product evaluation is conducted to measure, interpret, and judge an enterprise's achievements. Its main goal is to ascertain the extent to which the evaluand met the needs of all the rightful beneficiaries. Feedback about achievements is important both during an activity cycle and at its conclusion. A product evaluation should assess intended and unintended outcomes and positive and negative outcomes. Moreover, evaluators should often extend a product evaluation to assess long term outcomes.

4.5.2. Four Level (Kirkpatrick) Model

The Kirkpatrick model for training evaluation or four level evaluation model is well known as the standard in the field of evaluation, especially training evaluation. Basically, the model developed by Kirkpatrick aims to provide a simple, practical, four-level approach for evaluating training programs. According to the book by Kirkpatrick (Kirkpatrick & Kirkpatrick, 2006) which is the third edition of the book that provides explanation about the model, the four levels represent a sequence of ways to evaluate programs. Each level is important and has an impact on the next level. As you move from one level to the next, the process becomes more difficult and time-consuming, but it also provides more valuable information. None of the levels should be bypassed simply to get to the level that the trainer considers the most important. These are the four levels: (1) Level 1—Reaction; (2) Level 2—Learning; (3) Level 3—Behavior; (4) Level 4—Results. Further description of those four levels is below:

a. Level 1—Reaction

Evaluation on this level measures how those who participate in the program react to it. Evaluating reaction is like measuring customer satisfaction. If training is going to be effective, trainees react positively to it. Assessment of training participants' reaction to the training program is measured. Usually, measures at this level are most commonly directed at assessing trainees' affective responses to the quality or the relevance of training (Bates, 2004). According to Kirkpatrick (2006), it is important not only to get a reaction but to get a positive reaction because the future of a program depends on positive reaction. If participants do not react favorably, they probably will not be motivated to learn. Positive reaction may not ensure learning, but negative reaction almost certainly reduces the possibility of its occurring.

b. Level 2—Learning

Level 2 in the Kirkpatrick model measures learning results. It is important to measure learning because only if these learning objectives have been accomplished, change in behavior can be expected. According to Kirkpatrick (2006), Learning can be defined as the extent to which participants change attitudes, improve knowledge, and/or increase skill as a result of attending the program. Those are the three things that a training program can accomplish. Programs dealing with topics like diversity in the workforce aim primarily at changing attitudes. Technical programs aim at improving skills. Programs on topics like leadership, motivation, and communication can aim at all three objectives. Learning measures

at level 2 are quantifiable indicators of the learning that has taken place during the course of the training. (Bates, 2004)

c. Level 3—Behavior

Level 3 - behavior can be defined as the extent to which change in behavior has occurred because the participant attended the training program. Level 3 attempts to evaluate behavior change occurred after people attended a training program. Therefore, this level of evaluation should wait for a period. Unlike reaction and learning levels, where the evaluation can and should take place immediately, evaluation of change in behavior should wait some period of time. In this regards, important decision should be made by evaluator on when to evaluate, how often to evaluate, and how to evaluate. Ideally, this measurement is conducted within a few months after the training program. The main reason is because usually participants do good right after the training process, but the application and changed behavior because of the training or after going back to workplace are subject to be questioned. According to Bates (2004), level 3 - behavior outcomes address either the extent to which knowledge and skills gained in training are applied on the job or result in exceptional job-related performance.

d. Level 4—Results

Level 4 - results is defined as the final results that occurred because the participants attended the program. This can include increased production, improved quality, decreased costs, reduced frequency and/or severity of accidents, increased sales, reduced turnover, and higher profits. It is important to recognize that results like these are the reason for having some training programs. Therefore, the final objectives of the training program need to be stated in these terms. Some programs have these in mind on a long-term basis. Level four evaluations are rarely completed because resources are limited and the results of training can be difficult to measure in financial terms. However, these evaluations will describe the success of a training program in terms that executives understand and appreciate. According to Bates (2004) level four outcomes are intended to provide some measure of the impact that training has had on broader organizational goals and objectives. In recent practice, the typical focus of these measures has been on organizational level financial measures.

It is no doubt that the Kirkpatrick model is very popular and widely used for training evaluation. However, there are some points we should also consider. First, this model may be good for evaluating training program. Its application for LED program may not be really strong because LED program is not just a training activity. According to Alliger & Janak

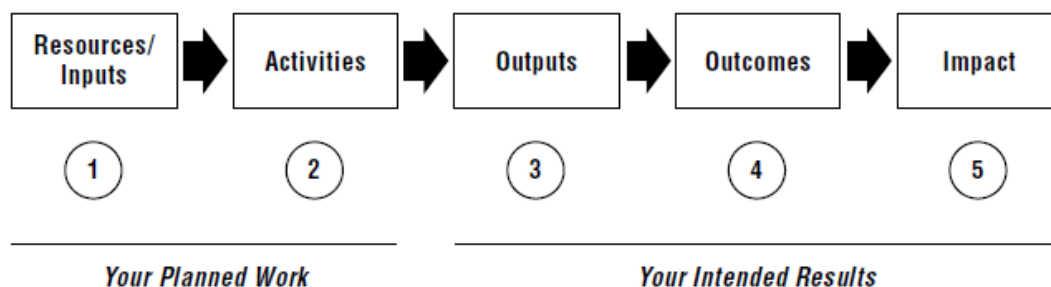
(1989) the power of Kirkpatrick's model is its simplicity and its ability to help people think about training evaluation criteria. Second, there are also some critiques in the literature addressed to this model {Alliger & Janak (1989); Bates (2004)}.

4.5.3. Logic Model

Another popular model for evaluation is the logic model. It has now become a standard in Indonesia since all the programs and projects funded by the government are required to provide clear performance indicators based on the logic model. In the program development, the program or projects should define the need of the program from the beginning, such as what input, output, short term outcome and long term outcome (impact) will be reached by the program⁷.

W.K. Kellogg Foundation (2004) published a comprehensive book about the logic model development guide. According to the book, a logic model is a systematic and visual way to present and share understanding of the relationships among resources to operate the program, the activities and the changes or results to achieve. The components of the logic model are presented in figure 5.2.

Figure 4.3 Basic Logic Model



(Source: Kellogg Foundation, 2004)

The logic model is a useful tool for program managers to communicate a program's performance story (McLaughlin & Jordan, 1999). The logic model is also useful to plan, manage, account for, audit, evaluate, or explain the connections between what a program (or agency or set of agencies) requests in terms of resources and what it seeks to accomplish (Millar, Simeone, & Carnevale, 2001).

⁷ Based on a new reform agenda as stated in the Book: *Pedoman Reformasi Perencanaan dan Penganggaran* (Ministry of Finance and Bappenas, 2009)

According to McLaughlin & Jordan (1999), the logic model is constructed in five stages: Stage 1 is collecting the relevant information, Stage 2 is describing the problem the program will solve and its context, Stage 3 is defining the elements of the Logic Model in a table, Stage 4 is constructing the Logic Model, and Stage 5 is verifying the Model.

4.5.4. Constructivist (a.k.a. Fourth Generation) Evaluation

The term of Constructivist (a.k.a. Fourth Generation) evaluation is mentioned by Guba and Lincoln (2001)⁸. In addition to the previous series of publication, Guba and Lincoln provided guidelines and checklists for constructivist evaluations and reports (Guba and Lincoln, 2001) that are based upon Guba and Lincoln (1989) on Fourth Generation Evaluation, and Lincoln and Guba (1985) on Naturalistic Inquiry. As it is widely understood, the Fourth Generation Evaluation is advocated by Guba and Lincoln (1989).

Guba and Lincoln (1989) presented four generations of evaluation. The first generation was termed measurement and involved the use of IQ tests, examinations, and other forms of educational measurement techniques. The evaluator assumed the role of an unbiased technical expert who administered, scored, and reported test results. The second generation was descriptive in nature and cast the evaluator in the role of observer/describer of programs and individuals in relation to definable objectives. The third generation of evaluation was “judgement”, where the evaluator plays a role as an expert. As an expert, the evaluator made judgments on the merit and worth of the program in light of its described strengths and weaknesses relative to the objectives or outcomes expected of the program. Fourth generation evaluation was termed “responsive constructivist” as it exemplified a responsive approach by negotiating parameters and boundaries of the study through an interactive process involving all stakeholders. This evaluation is constructivist in that the methodology employed has its roots in inductive analysis (Kelsey & Pense, 2001).

According to Guba & Lincoln (2001), there are two phases of constructivist evaluation. First, the discovery phase of constructivist evaluation which represents the evaluator’s effort to describe “what’s going on here,” the “here” being the evaluand and its context. Second, the assimilation phase of constructivist evaluation represents the evaluator’s effort to incorporate new discoveries into the existing construction or constructions.

⁸ Available online at <http://www.wmich.edu/evalctr/checklists/constructivisteval.pdf> retrieved on April 11, 2010.

In conducting the constructivist evaluation, Guba and Lincoln (2001) provide a checklist showing that constructivist evaluation is carried out through a series of steps. The steps may well be iterative and reiterative in practice as constructions evolve and as particular claims, concerns, and issues are dealt with. Detail of the steps is listed in Table 4.4.

Table 4.4 Steps in conducting the constructivist evaluation

No.	Steps	Details
1	Organizing the evaluation	Selecting the initial team of evaluators, making entree arrangements, making logistical arrangements, and assessing local political/cultural factors
2	Identifying stakeholders	Identifying agents commissioning and carrying out the evaluand, identifying “beneficiaries” as well as “victims” of the evaluand’s action, mounting continuing search strategies for other stakeholders, assessing trade-offs and sanctions, and formalizing agreements with and among them.
3	Developing intrastakeholder group constructions	Forming multiple hermeneutic circles of 10-12 members each representing one stakeholder audience; soliciting descriptions (constructions) of the evaluand and identifying and probing claims, concerns, and issues that emerge, culminating so far as possible in negotiated agreements on all identified.
4	Enlarging joint intra-stakeholder group constructions	Utilizing the evaluator’s prior construction (but allotting it no special privilege), existing documentary information, interplay of in-group interview data with observational data, literature analects, and other sources found to be relevant.
5	Sorting out constructions, claims, concerns, and issues	Resolved by consensus, setting these aside as possible case report components.
6	Prioritizing unresolved items	Via a negotiated prioritizing process determined by and involving the stakeholder group members.
7	Collecting additional information and adding sophistication in its use	Collecting additional information and adding sophistication in its use by training negotiators, seeking new information, performing special studies as needed.
8	Preparing the agenda for negotiation	By defining and elucidating competing constructions; working at illuminating, supporting, or refuting items (providing additional training as needed); and testing the agenda derived.
9	Developing intergroup constructions	Step 8 will have resulted in a negotiated agenda for each of the several stakeholder groups. This step 9 effectively recapitulates steps 3-8 for a newly formed hermeneutic circle consisting of persons selected by the individual circles as their representatives. The result is a composite construction that includes all forms of the evaluand constructions as well as their relevant claims, concerns, and issues. It is virtually certain that some items will not have been negotiated to the satisfaction of all stakeholder groups; these are set aside for later reconsideration in a subsequent recycling.
10	Reporting on the results for Step 9	There may be several reports tailored to the claims, concerns, and issues of specific stakeholder groups.

		Agreements on elements of these reports may lead to proposed action steps. The report should be aimed particularly at the stipulated purpose(s) of the evaluation, that is, formative/merit, formative/worth, summative/merit, and/or summative worth.
11	Recycle the entire process	Recycle the entire process to take particular account of elements set aside in step 9 that were irresolvable at that time.

(Source: Guba & Lincoln, 2001)

4.6. Choosing Approach for Evaluation

In the previous sub sections, models available in the literature have been presented. Briefly, four prominent models (CIPP, Kirkpatrick, Logic and Constructivist/Four generation) have been presented.

In this thesis some considerations are taken in selecting the model as a point of departure for designing evaluation for LED program. First, CIPP model is selected as basic model to be adapted for designing LED evaluation. The CIPP framework was developed as a means of linking evaluation with program decision making. It aims to provide an analytic and rational basis for program decision-making, based on a cycle of planning, structuring, implementing and reviewing and revising decisions, each examined through context, input, process and product evaluation. By using CIPP model, it takes into account context of the program.

Second, there is a standard which should be followed in Indonesia that the form of program planning and evaluation should be constructed based on the logic model. It is mandatory that government (fully or partially) funded program and project should provide indicators for evaluation which define impact, outcome, output and input. In this regard, there is a need that all programs and projects should be evaluated in the framework of the logic model.

Third, CIPP and the logic model have some similarities in which input in CIPP is similar to input in the logic model, while the product in CIPP is similar to output, outcome and impact in the logic model.

Other models mentioned before in the previous subsections have their own strengths depending on the purpose of evaluation. However, the practical aspect in conducting evaluation should also be considered. For example, conducting evaluation using Fourth evaluation framework will require a lot of time. One of the important things in fourth generation evaluation is the involvement of stakeholders. The involvement of stakeholders in fourth generation evaluation implies more than simply identifying them and finding out what

their claims, concerns and issues are. Each group is required to confront and take account of the inputs from other groups (Guba and Lincoln, 1989 p.56). Therefore it will take an adequate time for research. Another consideration is budget constraint. The Fourth generation evaluation is a qualitative research that is conducted through field work, which requires time and enough budgets. The constructivist approach has a number of advantages but it has limitations in its applicability. Stufflebeam (1999) who makes a review of Foundational Models for 21st Century Program Evaluation mentioned that:

The constructivist approach is exemplary in fully disclosing the whole evaluation process and set of findings. It is consistent with the principle of effective change processes that people are more likely to value and use something (read *evaluation* here) if they are consulted and involved in its development. However, the approach is limited in its applicability and has some disadvantages. Because of the need for full involvement and ongoing interaction through both the divergent and convergent stages, it is often difficult to produce the timely reports. Also, to work well the approach requires the attention and responsible participation of a wide range of stakeholders. The approach seems to be unrealistically utopian in this regard.

CHAPTER 5

DESIGNING EVALUATION FOR LED

In order to evaluate the LED program, a design evaluation is required. The design will be constructed by first briefly reviewing the literature on previous works on LED evaluation. Secondly, by integrating literature on evaluation model (which is presented in previous chapter) and literature on LED evaluation (presented in this chapter), a design evaluation for LED is proposed. This chapter presents a review of literature on previous work of LED evaluation and followed with framework for evaluation for the thesis.

5.1 LED Evaluation

Policies and programs carried out to promote and spur LED by governments, by private and by non government agencies may have positive effects, few effects or they may not. Dewar (1998) shows that a LED program have few effects on economic growth because economic development programs are not designed and implemented in ways that can achieve their goals mainly because of important political forces. The explanation for the undesired effects is viewed from a perspective of bureaucratic and political imperative. In this regard, an evaluation of LED program becomes essential for policy makers. As Bartik (2004) argues, LED policies can and should be more rigorously evaluated.

Bartik (2004) noted that the type of evaluation of local economic development policies that is most needed is the estimation of the impact of the policies on desirable local economic outcomes. In addition, an ideal evaluation would not only tell us the policies' impact on local business activity, which is the proximate goal of local economic development policies, but also the policies' impact on the economic well-being of local residents, the ultimate goal of local economic development policies. However, Bartik (2004) also noted that one concern about outcome impact evaluations is that they are often perceived, even if done well, as only telling us whether a program works, and leaving the workings of the program a "black box": we don't know why or how the program works, so we don't know how to improve the program. From this point, a challenge is coming to work more and find a better approach to evaluate local economic development programs and policies.

Hughes (1991) noted that there is a challenge for policy researchers on the evaluation of LED. He suggests placing evaluation in a broader context of performance measures which (a)

reflects more fully the objectives of the policy and (b) allows greater insights into comparative effectiveness and thus influences the reallocation of resources.

Based on those considerations, this thesis is trying to combine the initiative in designing evaluation and adopting better framework for evaluating LED. According to Noland and Wong (2004) there are too few high-quality assessments of local development policies and programmes.

5.2 Literature on LED evaluation

This section presents briefly a survey of literature on previous works on an effort of developing framework for LED evaluation and some works on LED evaluation that have been conducted by institutions or by scholars.

5.2.1 Monitoring & Evaluation framework from Goldman and Nel (2005)

Goldman and Nel (2005) have developed a framework for monitoring and evaluation (M&E) of pro-poor LED program. The work is done as a part of a World Bank project. The project is entitled "Evaluating and Disseminating Experiences in Local Economic Development" with an emphasis on their relevance to poverty reduction and applicability to low income countries. According to the report (Goldman & Nel, 2005), the conceptual framework for M&E of LED can be summarized as below.

The report suggests that LED should promote the welfare of the community by making it sustainable and functional along four dimensions, a sort of balanced scorecard:

- Liveability
- Competitiveness
- Good governance and management
- Bankability

The integrated framework for M&E of Pro- Poor LED is devised from some sources:

- Some **GTZ** (The Deutsche Gesellschaft für Technische Zusammenarbeit)-funded work developed a model for Rural Economic and Enterprise Development (REED). This identifies a set of what are referred to as cornerstones. These are shown, including how they link to the Bank's four dimensions above.

- **DFID** (United Kingdom Department for International Development) amongst other organizations has been promoting the sustainable livelihoods approach (SLA) as a form of the best practice in addressing poverty. This includes the SL Framework and SL principles. The SL Framework provides some useful thinking about pro-poor outcomes (improved livelihoods, with improved assets, reduced vulnerability and improved sustainability). The principles also assist in looking at how development should happen to address poverty, and so notably touch on governance issues.

The framework is shown in Figure 5.1. The figures illustrates how LED is integrated and interweaved with a wide range of other aspects of development – economic development both needs these in order to happen, and they are dependant on economic growth. It also reflects the complex range of aspects which need to be managed for pro-poor growth to happen.

The framework, which was developed from the project funded by the World Bank, is basically constructed based on the Balanced Scorecard. The framework has discussed extensively the use of indicators of outcomes, outputs, activities and inputs. Further, the frameworks put a strong attention to indicators for output and outcome. For indicator of output, the four dimensions of LED suggested by the World Bank become a benchmark. For the outcome, three indicators are selected as concepts of outcomes.

Outcome level:

- Indicators of levels of assets (human, social, financial, physical, natural)
- Indicators of vulnerability
- Indicators of sustainability

Outputs

- Liveability = social equity and environmental quality (including poverty);
- Competitiveness = productivity and economic vitality;
- Good governance and management = within and beyond City Hall;
- Bankability = sustainable municipal finances and creditworthiness.

Figure 5.1 Goldman & Nel's Framework for M&E of Pro-Poor LED

Outcomes	<ul style="list-style-type: none"> Improving jobs, growth rates and reducing inequality Quality of livelihoods, which can be measured by: <ul style="list-style-type: none"> Financial assets - level of incomes and wealth Human assets – improved skills, confidence and security from crime, poor health and nutrition Social assets – strong communities and social structures Natural assets – availability and quality of natural resources for enjoyment and for economic use Physical assets – access to suitable personal (eg housing) and public assets (eg electricity) Reduction in vulnerability of households to stresses and shocks Sustainable use of resources 	
Outputs	Livability (good area to live and work)	Effective governance and management
—	<ul style="list-style-type: none"> Availability of basic public services Functioning and effective infrastructure Sufficient environmental standards Adequate housing Secure and safe environment Availability of amenities and culture 	<ul style="list-style-type: none"> People centred and participatory - local organisations, groups and associations representing the poor recognised as building blocks with communities active and involved in managing their own development Active and accessible network of community-level service providers Effective, responsive, coordinated and accountable management and delivery of services, notably by local government Autonomy of local government Strategic direction, redistribution and oversight by national government Vertical and horizontal coordination and partnerships, across government, as well as with private sector and non-government organisations Effectiveness of leadership at different levels Ongoing learning from success and failure by all stakeholders (learning institutions)
	Competitiveness	Bankability
—	<ul style="list-style-type: none"> Holistic and disaggregated understanding of local economy and livelihoods, local strengths, weaknesses, opportunities and threats Active private sector institutions and linkages Adaptive management capacity and entrepreneurial competence Sound business environment that fosters investment and entrepreneurship Access to integrated and open markets Encouragement of creativity and innovation (closely linked to culture) Access to modern technology Sustainable transport system Availability of business credit Quality of human resources 	<ul style="list-style-type: none"> Effectiveness of community's financial management Creditworthiness of local authority Stability of intergovernmental fiscal flows Attraction of local and non-local private investment

(Source: Goldman & Nel, 2005)

5.2.2 LERD Training Evaluation (Bappenas, 2008)

The report of evaluation by Bappenas follows the Kirkpatrick model. It is an evaluation report of LERD training that was held both in Indonesia and the Netherlands. It focuses on evaluating the process (the training program) and the long-term impact of the training. The

evaluation method uses a questionnaire and also Focus Group Discussion between Bappenas and local stakeholders. The method of data analysis use both quantitative method (statistic analysis) and qualitative method (interviews and survey report at local seminar LERD). Evaluation indicators: (1) the quality of training, (2) target achievement of the training, (3) effectiveness of the study, (4) commitment and support to LERD team, (5) sharing knowledge, (6) the quality of local seminars interested in assessing various aspects of project performance, such as impacts, effectiveness, relevance, efficiency, and sustainability.

5.2.3 LED Success Factor (van Leeuwen, 2009)

Van Leeuwen (2009), in her thesis investigates the factors for successful performance of LERD. The author used eleven case studies to choose the success factors that was used in her evaluation framework and used LERD program in Indonesia as a case study to evaluate his evaluation model. She divides the evaluation into general success factors and region-specific success factors, and also divides the respondent in evaluation into: (1) the encouraging local business growth strategy; (2) the encouraging new enterprises strategy and the integrating low income or hard-to-employ worker strategy. Both respondents have different important general factors. Thus van Leeuwen divides the evaluation sheet for each respondent. Qualitative methods are employed to evaluate the evaluation model. General success factors that are identified are: (1) active participation of local stakeholders, (2) awareness creation, (3) leadership, (4) collaboration between public and private sectors, (5) involvement of local actors in the planning process. The region-specific success factor is different; depends on the project.

5.2.4 Comparison of Three Previous Evaluation

The differences of those three previous works on LED evaluation can be summarized in table 5.1. The framework of the three previous evaluations is different. First, in term of framework for evaluation, Goldman and Nel developed a framework based on balance score card method. Bappenas, that evaluated LERD program, employed Kirkpatrick model of training evaluation. Third, Van Leeuwen evaluated LED and LERD program based on success framework.

The different frameworks have an implication to the indicators for evaluation analysis. The indicators for the Goldman and Nel's framework consist of indicators for outcome and output. Outcome indicators consist of indicator of level of assets, indicator of vulnerability and indicator of sustainability. Output indicators consist of liveability, competitiveness, good

governance and management and bankability. Bappenas evaluation on LERD mainly relied on these indicators: the quality of training, target achievement of the training, effectiveness of the study, commitment and support to LERD team, sharing knowledge and the quality of local seminar. Van Leeuwen (2009) use indicators of general success factors consisting of active participation of local stakeholders, awareness creation, leadership, collaboration between public and private sectors, and involvement of local actors in the planning process.

Table 5.1. Comparison of Previous LED & LERD evaluation framework

	Goldman & Nel (2005)	Bappenas (2008)	Van Leeuwen (2009)
Object of Evaluation	LED	LERD	LED LERD
Framework	Balance Score Card	Kirkpatrick Model	Success Factors
Indicators	<i>Outcome Indicator</i> (1) Indicators of levels of assets (human, social, financial, physical, natural) (2) Indicators of vulnerability (3) Indicators of sustainability <i>Output Indicator</i> (1) Liveability (2) Competitiveness (3) Good governance and management (4) Bankability	(1) the quality of training, (2) target achievement of the training, (3) effectiveness of the study, (4) commitment and support to LERD team, (5) sharing knowledge, (6) the quality of local seminar	(1) active participation of local stakeholders, (2) awareness creation, (3) leadership, (4) collaboration between public and private sectors, (5) involvement of local actors in the planning process

5.3. Framework for LED evaluation

Due to the constraint of time limitation, developing a new framework or model which is totally new will consume a lot of time. The strategy applied in this research in designing an evaluation for LED, therefore, is by adopting a model which is chosen by its proximity to the objective of this research.

Based on the LED evaluation literature review presented above and analysis of choosing evaluation models in chapter 4, an evaluation framework for LED is constructed based on an adaptation of CIPP evaluation model. As it has presented in sub chapter 4.6, this thesis argues that CIPP is considered as a suitable model for conducting program evaluation. In addition, to our knowledge, none of the previous works of LED evaluation has employed the model. In

this regard, LED evaluation framework is designed based on a solid evaluation model widely accepted by scholars in evaluation studies.

The evaluation framework for LED is presented in Figure 5.2 below. Since there is a standard in some countries (like Indonesia) that instructs the design of program planning and evaluation to follow the logic model by constituting impact, outcome, output and input, the components of the logic model can be embedded to the framework for LED as a complementary analysis. Evaluation analysis based on the logic model itself can follow the logic model template with five components (Kellogg Foundation, 2004): inputs or resources, activities, outputs, outcomes and impacts.

The framework for LED program evaluation consists of four aspects of evaluation: context evaluation, input evaluation, process evaluation and product evaluation. Furthermore, context evaluation assesses needs, assets and problem. This context evaluation can be used by program owner and stakeholders to select or clarify the intended beneficiaries of LED program, to review or revise LED program goal, and to assure that LED program is taking advantage of pertinent community and other assets. To conduct this evaluation, it is identified that following information are required for conducting context evaluation: background information on the intended beneficiaries; beneficiaries need; and insight of the beneficiaries' needs, assets and potential problem.

The second aspect of evaluation, input evaluation could assess competing strategy, work plan and budget. This evaluation can be used by program organizers and stakeholders to devise LED program strategy that is scientifically, economically, socially, politically and technologically defensible; to assure that LED program's strategy is feasible for meeting the assessed needs of the targeted beneficiaries; and to support funding requests of LED program. The information needed to conduct input evaluation is: existing programs that could serve as a model for the contemplated program, program strategy and program's budget.

The third aspect of evaluation is process evaluation. It assesses the activity of the program. Process evaluation can be used by program manager and stakeholders to strengthen LED program design; to control and strengthen staff activities; to maintain a record of LED program's progress; and to report on LED program's progress to the program's financial sponsor, policy board, community members, and other developers. The information required for conducting this evaluation can be: a photographic record and periodic progress reports on program implementation; program events, problems, costs, and allocations; and up-to-date profile of the program written reports on process evaluation findings.

The fourth aspect of evaluation is product evaluation. It assesses program's reach to the target audience. This aspect of evaluation can be used by stakeholders to assure that LED program is reaching intended beneficiaries; to judge the extent to which LED program is serving or do serve the right beneficiaries; and to determine accountability regarding the program's success in reaching the intended beneficiaries. The information required for conducting evaluation is: directory of persons and groups served, notations on their needs, and program services they received; Stakeholders' perspectives on how the program is influencing the community; and other information and data related to output, outcome and impact of the program.

Figure 5.2 Framework for LED Program Evaluation

Aspect of Evaluation	Assessment	Use of evaluation	Information for evaluation
Context Evaluation	Assesses needs, assets and problem	Selecting or clarifying the intended beneficiaries of LED program	Background information on the intended beneficiaries
		Reviewing or revising LED programs goal	Beneficiaries need
		Assure that the LED program is taking advantage of pertinent community and other assets	Insight of the beneficiaries needs, assets and potential problem
Input Evaluation	Assesses competing strategy, work plan and budget	Devise LED program strategy that is scientifically, economically, socially, politically and technologically defensible	Existing programs that could serve as a model for the contemplated program
		Assure that LED program's strategy is feasible for meeting the assessed needs of the targeted beneficiaries	Program strategy
		Analysis or support funding requests of LED program	Program's budget
Process Evaluation	Assesses program activities	strengthen LED program design	a photographic record and periodic progress
		control and strengthen staff activities	reports on program implementation
		maintain a record of LED program's progress.	program events, problems, costs, and allocations
		report on LED program's progress to the program's financial sponsor, policy board, community members, other developers.	up-to-date profile of the program. written reports on process evaluation findings
Product Evaluation	Assesses a program's reach	assure that LED program is reaching	directory of persons and groups

	to the target audience	intended beneficiaries	served, notations on their needs, and program services they received
		judge the extent to which LED program is serving or did serve the right beneficiaries	Stakeholders' perspectives on how the program is influencing the community
		accountability purposes regarding the program's success in reaching the intended beneficiaries	the program reached an appropriate group of beneficiary

Adapted from CIPP Evaluation Model Checklist (Stufflebeam, 2007)

The framework for LED evaluation presented in figure 5.2 is designed to be a suitable framework for evaluating a LED project. It needs to be tested whether it works well when it is applied to a real case. In this regard, in the next chapter, a case study of one of LED projects is presented using the framework.

CHAPTER 6

EVALUATION OF LERD PROJECT

This chapter presents an analysis of LED evaluation, focusing on the case study of LERD project in Indonesia. Description about the LERD project is presented in chapter 2. The analysis starts with explanation on how data was collected as main sources for the analysis.

6.1. Collecting Data

In the effort of the evaluation of LERD project, data collection strategy is threefold. First, survey questionnaire via email is conducted. Email questionnaire is considered because respondents are located in diverse locations across Indonesia. However, it is limited because only a few respondents replied the email. Second, a set of document and information is gathered from Bappenas. This includes survey questionnaire and the result from a previous evaluation based on a survey conducted by Bappenas. Third, secondary data such as regional budget is collected to find out the growth of regional own source (*pendapatan asli daerah* / PAD) as performance indicator to meet the objective of LERD project. Some documents such as medium term regional development plan (RPJM) are collected. Some of the documents are available in regional government websites.

In CIPP model of evaluation, data could come from a variety of information. For example, in context evaluation, Stufflebeam (2002) noted that a context evaluation's methodology may involve collecting a variety of information about members of the target population and their surrounding environment and conducting various types of analysis.

6.2 Results and Discussion

6.2.1. Context analysis: Need of capacity enhancement for local people in developing local economic development.

Stufflebeam (2002) described that context evaluation assesses needs, problems, assets, and opportunities within a defined environment. In this regards, the analysis starts with describing the environment and defining the need of the intended beneficiaries.

The environment of economic policies at regional level is changing because of three things. First, since 2001 decentralization was adopted at district level. As a consequence, local

governments have a greater role and receive more responsibilities in LED. Second, a new political system was applied where governors and heads of the district (*bupati*) is elected by people through local election system (*pemilukada*). Third, in line with those changes, a new system of national development planning was established. In the new system, three development plans are written by both the national and regional governments. Those consist of a long-term plan (*Rencana Pembangunan Jangka Panjang / RPJP*) for a term of 25 year, medium-term plan (*Rencana Pembangunan Jangka Menengah / RPJM*) or five year development plan and yearly plan of government working plan (*Rencana Kerja Pemerintah / RKP*) of national or regional vision and mission to be achieved. Regional medium-term government plan should be created based on the vision and mission of governor and head of district elected in one hand, and should also be based on the vision and mission of national president elected.

a. The Needs

With those new changes in the social and economic environment, there is a need to increase and upgrade local capacity in managing LED and policy. With new role and responsibility, local government officers should have a better knowledge about the principle and design of local economic development than before. In relation to LED concept that says that one important factor in local development and growth is the existence of an innovative local entrepreneurship supported by other institutions such as the local government, industry, university, etc. The local government should facilitate other stakeholders' involvement in the program. Therefore, there is also a need of increasing the capability to make a collaborative work among stakeholders.

While the need is identified, the need cannot be fulfilled by local resources. In this case, the central government could take some initiative to fill the need. To answer the need, Bappenas designed a LERD project based on the concept that LERD will create local growth based on local strengths, natural resources, geographic condition, institutions, entrepreneurship, university etc. (Bappenas, 2008). There are two objectives of LERD project according to Bappenas (2008). First, in a short-term period, the objective is to improve the skills and knowledge of the local people (in this program, local government) in planning their local community's development by focusing on creating a conducive environment to manage local economic resources so they can increase their income and local economic growth. Second, in the long run, the objective is to increase export competitiveness and, related to budget, is to increase the local own sources revenues / *pendapatan asli daerah* (PAD).

Those two objectives are expected to meet the overall goal of LERD, which is to strengthen the local economic capacity of an area, improve the investment climate, and increase the productivity and competitiveness of local businesses, entrepreneurs and workers. The program seeks to improve the quality of life, create new economic opportunities and fight poverty.

b. Challenges and Opportunities

Based on the result of a survey conducted by Bappenas (2008), where the alumni of a LERD training is requested to answer questions about goals and objectives of attending the LERD training, most of the respondents answer that the goal is achieved. In this regard, the need of training participant or LERD team is fulfilled, however, with some constraints in which the training participant (LERD team) is limited and it covers only a few regions.

It is identified that there are still unmet needs of other stakeholders and other regions. This becomes a challenge for further improvement of the program. At least two activities are essential to meet this challenge. First, dissemination of knowledge from LERD team to other stakeholders in the region will help an effort to increase stakeholder involvement in the LED program. Second, replication of the program to other regions is also essential to spread the LERD program extensively.

Actually, there are assets to meet those challenges. Alumni of LERD training, especially from the university lecturer, and the existence of universities in every province can play a role in disseminating the LED knowledge. There is also an opportunity to seek other interested parties such as international donor / agency in providing financial and technical assistance. Other interested parties may be national and international non-government organization (NGO). This is to note that a replication of LERD program to other regions requires greater resources.

6.2.2. Input evaluation: Solidity of LERD Team and of Partner institutions

An input evaluation assesses the proposed program, project, or service strategy and the associated work plan and budget for carrying out the effort (Stufflebeam, 2002). The current strategy of LERD is consisting of three stages⁹: At the first stage: LERD program builds strategic planning and creates the motor for economic and social development. In this stage, a

⁹ From slide presentation Dr. Bartjan Pennink. The Situation: LERD theory (University of Groningen, 2008).

LERD team is created, consisting of local governmental workers, entrepreneurs and local workers. This team will be the motor in the start up of local economic activities. The team will be offered an educational program *outside* their own region to give them the opportunity to experience how economic activities are organized in other situation as examples.

The second stage of the program is empowerment in the region. The second stage of training is within the region. This stage consists of training the farmers and fishermen and small and medium sized entrepreneurs. Furthermore, action plans are made. In the third stage of the program, it is embedding action plans in the official governmental and business environment. In order to spread the action plans among the different stakeholders within the region, the LERD teams conducted a regional seminar. By presenting the plans in the seminar, they create more knowledge among the stakeholders about the projects with the goal that more stakeholders will get involved and cooperate in the projects.

Based on those strategies, it is identified that key inputs of the program are: LERD training participants, training providers (University), funding of program (NESO and Bappenas), and supporting institutions (Bappenas, local governments).

a. Training participants

The participants of LERD training program are coming from four different institutions: local government officials, entrepreneur / private sector, university staff and central government official. Table 6.1 presents participants of LERD training program.

Table 6.1. Composition of LERD Training Participants (in Percentage)

Year	Training Providers	Participants Institutions				Total
		Local Gov. Officer	Private Sector	University	Central Gov. Officer	
2003	ITB/RUG	86.4		4.5	9.1	100
	UGM/HIS	81.8		4.5	13.6	100
2005	ITB/RUG	60.9	8.7	26.1	4.3	100
	UGM/HIS	47.6	14.3	28.6	9.5	100
2006	ITB/RUG	53.8	23.1	19.2	3.8	100
	UGM/HIS	59.1	18.2	18.2	4.5	100
2007	ITB/RUG	61.1	11.1	16.7	11.1	100
	UGM/HIS	66.7	8.3	16.7	8.3	100
2008	ITB/RUG	47.4	31.6	15.8	5.3	100
	UGM/HIS	76.5	5.9	11.8	5.9	100
Mean		64.0	12.1	16.4	7.5	100

(Sources: Bappenas, 2008)

Based on the data in Table 6.1, a majority of training participants are local government officers. In total, during the training period from 2003 to 2008, 64 percent of training participants are from local government officers; while the private sector and entrepreneur participants makes 12.1 percent; universities 16.4 percent; and central government officers 7.5 percent.

One of the interesting issues here is the emergence of participants from the private sector / entrepreneur. This is a positive trend, since in the beginning (2003), no entrepreneur was selected as participant in the training program, while we recognized the important role of entrepreneurship in LED initiative. For training program provided by ITB/RUG partnership, a substantial increase from 0 to 31.6 percent in 2008 of entrepreneur participants is a good move.

Diversity of institutions of training participants in LERD is important for creating a good and solid team. Establishment of LERD team is vital since it becomes a motor for further development in action plans and its implementation. Having a diversity of participants could induce stakeholder involvement in the program.

b. Training providers

LERD Training program is executed in Indonesia and in the Netherlands. In Indonesia, the training is divided in two universities, University of Gadjah Mada (UGM) in Yogyakarta and Institut Teknologi Bandung (ITB) in Bandung. Those two universities create a partnership in executing the training program with two universities in the Netherlands, namely University of Groningen (RUG) in Groningen and IHS in Rotterdam. Bappenas called this dual location of training (Indonesia and the Netherlands) as a linkage program.

The active involvement of universities in LERD program is a sign of the significant role of universities in LED. In LED initiatives, universities may be well placed to play such an important role in terms of providing information and analysis. Weiler (2000) argues that university researchers may more effectively enhance local development by focusing on the provision and analysis of information to private participants.

According to survey results conducted by Bappenas (2008), it is found out that quality of training organized by training providers received a high score. Most respondents are satisfied

by the organization of LERD training. The overall impression is good, technique of teaching is interesting, contents (syllabus) is relevant to daily duties of participants, the time management is good and field visit in the Netherlands is relevant to the subject.

c. Funds

The LERD program is initiated by Bappenas. In this regard, some amount of budget for the programme is from national budget. It is a cost sharing mechanism in which national and local government share the cost for the program. The local governments, through the local budget, share some amount to finance the LERD program. The program is supported by NESO, which provide further financial contribution particularly for the cost of training program in the Netherlands.

There is no significant problem that arises in relation to the sources of funds for program implementation. While some amount of budget is coming from the national budget, procedure, rule and problem of budget disbursement in Indonesia may occurs.

For further improvement, in line with the decentralization spirit and efforts to increase stakeholder involvement in the program, higher share of contribution of budget from local governments may be considered.

6.2.3 Process evaluation: Learning through linkage program and creating well accepted action plan

A process evaluation is an ongoing check on a plan's implementation and the documentation of the process, including changes in the plan as well as key omissions and/or poor execution of certain procedures (Stufflebeam, 2002).

The structure of the LERD training program is designed based on the knowledge of the action concept. LERD participant is expected not to be an individual, but rather a team in which each participant plays his/her role as team member. The composition of LERD team is: (1) regional development planning agency (Bappeda) as coordinator; (2) technical working organization from local government; and (3) private sector according to product or commodity that is selected to be developed in the program.

Following the concept, process of LERD training can be divided into 6 stages: (1) product mapping and proposal writing; (2) pre field visit; (3) training in Indonesia; (4) training in the Netherlands; (5) local seminar and field visit; (6) national seminar.

a. *Product/ Commodity Selection*

The inclusion of selection of product or commodity or services in the LERD selection process started in 2005. Previously, in 2003, regions targeted by the project are selected but the commodity is not defined. In 2003, there were 13 regions at provincial and district levels participating in the program. Starting from 2005, commodity/product development is embedded into the program as part of potential local source to develop the economy at local level.

Table 6.2 presents commodities and regions selected in LERD program. Annually, five to six commodities are selected each year together with the regions in which the commodity is considered as prime commodity under the assumption that the commodity has high potential level to be developed further, so it can spur on the LED.

The selection of the commodity should be conducted carefully. For example, it is presented in Table 6.2 that one of the commodities selected for 2005 is rattan and the region selected is province Kalimantan Selatan (South Kalimantan). However, this commodity and region selected may not be a good choice or does not match between regional choice and commodity choice. Based on another study conducted by Bank Indonesia (Central Bank)¹⁰ as shown in Table 6.3, rattan is not identified as a prime commodity for Kalimantan Selatan (South Kalimantan). In addition, rattan export is regulated by the government through an export quota in order to guarantee supply for domestic demands. Therefore, export of the raw product may be limited in some aspects. If the region selected is Kalimantan Selatan (South Kalimantan), the prime commodity for the region is rubber, furniture, etc as it presented in Table 6.3.

Table 6.3 presents the prime commodities for Kalimantan Selatan (South Kalimantan). It is presented to give a view of the prime commodities of the region based on a study conducted by other institution, and to compare the prime commodities identified and selected

¹⁰Available at http://www.bi.go.id/sipuk/id/sib/propinsi/cariPropinsi_KPJU.asp?id=2&no=801&prop=63&nama=KALIMANTAN+SELATAN and http://www.bi.go.id/sipuk/id/siabe/unggulan/?id=3&no=201&job=2&id_propinsi=63&nama_propinsi=Kalimantan+Selatan retrieved on April 19, 2010

commodity to be developed in LERD project. Identification of prime commodities as it presented in Table 6.3 is defined through focus group of discussion organized by local office of central bank involving other stakeholders in the region.

Product mapping in LERD has been conducted by universities through some economic indicators. For further improvement, maybe other stakeholders can join the discussion on which products or commodities or services are going to be selected. This is to assume that some stakeholders such as local governments and private entities have unique knowledge about potential products in the region.

Table 6.2 Region and Commodity in the LERD Project

Year	Training Provider	Region	Commodity
2003	ITB/RUG	Kabupaten Tanah Datar, Sumbar	Not defined in 2003
		Kota Cimahi, Jabar	Not defined in 2003
		Kabupaten Subang, Jabar	Not defined in 2003
		Provinsi Jawa Barat	Not defined in 2003
		Provinsi Sumatera Selatan	Not defined in 2003
		Riau	Not defined in 2003
		Kota Pontianak	Not defined in 2003
	UGM/IHS	Kabupaten Sleman, DIY	Not defined in 2003
		Kota Makasar, Sulsel	Not defined in 2003
		Provinsi Sulawesi Selatan	Not defined in 2003
		Kota Yogyakarta, DIY	Not defined in 2003
		Kabupaten Barru, Sulsel	Not defined in 2003
		Provinsi Jawa Tengah	Not defined in 2003
2005	ITB/RUG	Provinsi Kalimantan Selatan	Rattan
		Kota Tasikmalaya, Jabar	Embroidery Textiles
		Provinsi Nangro Aceh Darusalam	Coffee
	UGM/IHS	Provinsi Sulawesi Tengah	VCO Oil
		Kota Bima, NTB	Pearl
		Kota Batu, Jatim	Apple/Orange
2006	ITB/RUG	Kabupaten Serang, Jabar	Melinjo chips
		Provinsi Kalimantan Barat	Orchid
		Kota Palembang, Sumsel	Crackers/ krupuk
	UGM/IHS	Kabupaten Gorontalo, Gorontalo	Corn
		Kabupaten Klaten, Jateng	Cast iron
		Provinsi Sulawesi Tenggara	Tuna fish
2007	ITB/RUG	Kabupaten Bogor, Jabar	Ananas
		Kota Bau-Bau, Sultra	Seaweed
	UGM/IHS	Provinsi Jawa Tengah	Borobudur
		Kabupaten (Adm) Kepulauan Seribu	Kerapu (Grouper) fish
		Provinsi Sulawesi Selatan	Cocoa

2008	ITB/RUG	Kabupaten Pinrang Sulawesi Selatan	Shrimp
		Kabupaten Belitung	Fish abon
		Kota Pekalongan Jawa Tengah	Batik
	UGM/IHS	Kabupaten Muna Sulawesi Tenggara	Cow (breeding)
		Kabupaten Limapuluh Kota Sumbar	Gambier/ betel nut

(Source: Bappenas)

Table 6.3. Prime Commodity for Province Kalimantan Selatan (South Kalimantan)

Prime Commodity	Prime Commodity Based on Agro industrial Export
1. <i>Karet</i> / rubber	1. <i>Pintu dan Frame dari Kayu</i> /
2. <i>Mebel</i> / Furniture	Equipment from Wood
3. <i>Kain/Batik Sasirangan</i> / Batik with local motive	2. Smoke Sheet
4. <i>Kelapa Sawit</i> / Palm Coconut	3. <i>Furniture dari kayu Untuk Dapur</i> /
5. <i>Itik</i> / duck	Wood furniture for kitchen
6. <i>Budidaya Ikan di Kolam</i> / Fishery	4. <i>Furniture dari kayu</i> / Wood furniture
7. <i>Aneka Kerajinan</i> / handicraft	5. <i>Kayu Gergaji</i> / wood (saw log)
8. <i>Sapi potong</i> / consumption-cow	6. <i>Kayu Lapis</i> / plywood
9. <i>Penangkapan Ikan di Perairan Umum</i> / marine capture fisheries	7. <i>Bahan Bangunan dari Kayu</i> /
10. <i>Padi sawah</i> / Paddy	Building material from wood
	8. <i>Udang Beku</i> / frozen shrimp
	9. <i>SIR 20</i> / natural rubber
	10. <i>Lantai papan</i> / wood floor

(Source: Bank Indonesia)

b. Training process

The training for each LERD team is located in two institutions in Indonesia and the Netherlands. It is a linkage program that links local knowledge with international experience. By using this approach, the LERD team is expected to gain knowledge and lessons learned to develop local economy.

To assess the process of LERD training, a small survey is conducted through email to LERD alumni. Since it is executed via email, only limited questionnaire are returned. Returned questionnaire are then divided into two category; government officials and university lecturer respondents. The result suggests that there is a good valuation of training quality and effectiveness received by both types of participants. Initial process of LERD training in terms of transparency and information were also found to be transparent. Despite a good implementation of the training process, most of government officers are hesitant to answer about the monitoring of the program in the short term and long term period. However, for university lecturers, they feel that there is a good score on monitoring of the program. This maybe is due to a good network of information and communication among university lecturers and Bappenas.

Table 6.4 Results from survey (via email) on LERD Training Process

	Government officer (average)	University lecturer (average)
PROCESS		
Transparency of program's initial information from program initiator to stakeholder.	4	5
The quality of sharing information (in training) from trainer to trainee	4	4
The effectiveness of training period (between the training period and the amount of information that was given in the training)	4	4
Monitoring in short-term and long-term period (sustainable monitoring)	3	4

Note: the answer is based on scalar number 1-5.

1 = not transparent, or not good, or not effective, or absolutely did not agree.

2 = least transparent, or least good, or least effective, or did not agree

3 = not sure or can't answer

4 = transparent, or good, or effective, or agree

5 = very transparent, or very good, or very effective, or absolutely agree

The result is in accordance with the findings from a previous evaluation by Bappenas (2008). It reports the survey finding which is based on respondents from local governments. The result were that most of the respondents agree that training has been implemented well, with good quality, the overall impression is good, presentation is interesting, the contents are relevant, time management is good and field visit in the Netherlands is relevant to the contents of the training.

c. Local and national seminars

A local seminar was introduced for the 2007 LERD team. It was then implemented in 2008. According to Bappenas (2008), the local seminars for 2007 LERD participants were held in April and June 2008, while national seminar was held in October 2008.

The Local seminar is introduced with aim to: (1) report the progress of action plan, (2) invite farmers, traders, local entrepreneurs, etc., (3) build interactive discussion between LERD team and other stakeholders, (4) get wide support from stakeholders, both vertically and horizontally.

In the seminar, based on a Bappenas report (2008), regions with higher commitment shows a positive progress of LERD program. The attendance and presenting in the seminar of higher level government officials show a commitment from the government to support the program.

It is identified that commitment from stakeholders are important for further implementation and success of action plan. This includes horizontal support from the boss, chief of institution and district head or provincial head (governor). Vertical support is important, also since an action usually can be executed through the collaboration of some institutions. A synergy between LERD training participant commitment and regional head and stakeholder commitment is a key for LERD success.

6.2.4 Product Analysis: Towards increasing regional income and competitiveness

Product evaluation aims to measure, interpret, and judge project or program achievements (Stufflebeam, 2002). It can include an assessment of whether a program reaches its target audience, and of the significance of outcome and continuation.

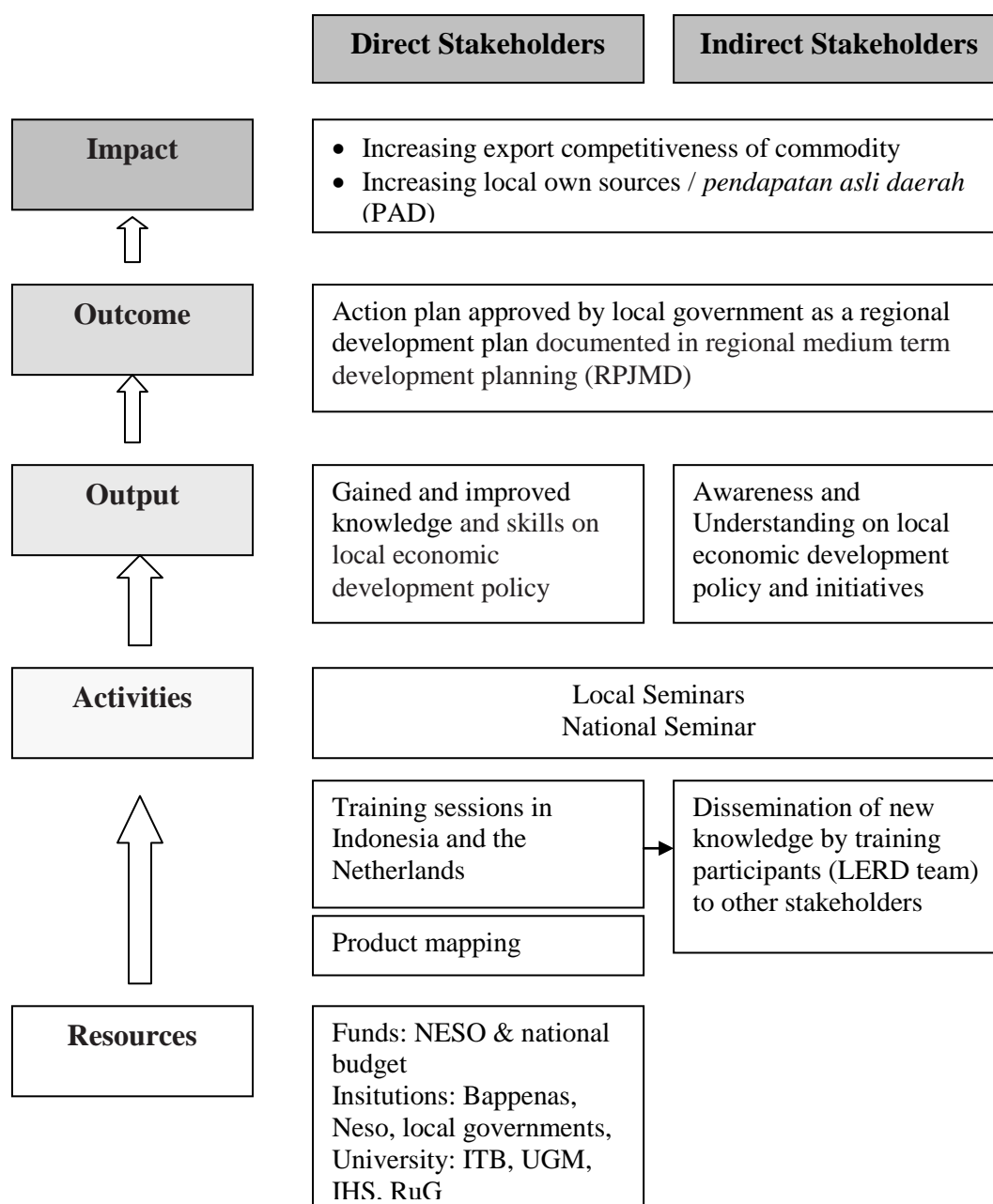
A product evaluation should assess intended and unintended outcomes and positive and negative outcomes. Moreover, evaluators should often extend a product evaluation to assess long-term outcomes (Stufflebeam, 2002). Based on that guideline, an assessment in product evaluation could include output, outcome and long term outcomes (impact). Identification of output, outcome and impact is laid on logical framework of the LERD program as presented in Figure 6.1. It is constructed based on the information about the program and objective of the program.

Resources required for the program are coming from some institutions with their assets, funds and personnel for the input of program. The available resources are required to implement the activities of the program. Three main activities are implemented: product mapping to select a commodity and region as a target of the program, training activities and seminars. It is a sequential process of activities. One additional activity is conducted with the involvement of indirect stakeholder not from LERD team. It is a transfer of knowledge from LERD training participants to other stakeholders. If activities are accomplished, it is expected that its output gained and improved knowledge and skills on local economic development policy. This output is attributed to the LERD team (direct stakeholder). From the activity of transferring knowledge, if accomplished, it is expected to generate an output of awareness and understanding on local economic development policy and initiatives from other (indirect) stakeholders. In short to medium term (outcome), an action plan for local economic development could be approved by the local government as a program or project activity as a part of the regional development plan documented in the regional medium-term development planning (RPJMD). Furthermore, in medium to long-term period (impact), it is expected to

contribute to increasing export competitiveness of local commodity and increasing local own source revenues / *pendapatan asli daerah* (PAD).

On the basis of the logical framework of the program presented, evaluation on the product of the program is conducted through an effort to evaluate output, outcome and impact. However, outcome and impact of the program may take a few years. It is important to note that with this constraint, this evaluation may have some limitations in finding the outcome and impact of the program.

Figure 6.1 Impact and Outcome in LERD framework



a. Output: Knowledge and skill Improvement of LERD team

Outputs are the direct products of program activities and may include types, levels and targets of services to be delivered by the program (Kellogg Foundation, 2008). In LERD program, where the main activity is training, the main expected output is knowledge improvement particularly from the participants.

Previous evaluations on process evaluation found that the process of the program are run quite well, easily one can say that it should produce a good output. On the assessment of the output of LERD training program, it is expected that the training both in Indonesia and the Netherlands could improve the knowledge and skill of participants. Beyond the training sessions, sharing knowledge and experiences among LERD teams from different regions participating in the program could increase the knowledge of participants.

Based on returned questionnaire of a small survey conducted via email presented in Table 6.5, LERD participants from government institutions on average agree that there is benefit and improvement in terms of new knowledge and experiences. The result is similar to findings from Bappenas's (2008) evaluation of the program that knowledge of participants has increased as a result of the training.

Table 6.5 Results from survey (via email) on LERD Output and Outcome

	Government officer (average)	University lecturer (average)
OUTPUT		
Gain/ improve new knowledge and experience from the program, which useful and related to the job	4	5
The program helps to improve leadership skill (in influencing local people, lead the project, etc.)	4	4
Improve skill in problem-identification and problem-solving	4	4
Improve skill and knowledge about planning and implementation of a project	4	5
OUTCOME		
Short-term target (< 1 year) has been achieved based on Action Plan	3	3
Sustainability of the project, and improve each year	3	4
Develop of strong communities and social structure	3	4
Sustainable coordination and partnership between all stakeholder	3	4
Local stakeholders active and involved	3	3
Encourage business environment, investment and entrepreneurship	3	4
Ongoing/ sustainable knowledge sharing in local area	3	4

Note: the answer is based on scalar number 1-5.

- 1 = not transparent, or not good, or not effective, or absolutely did not agree.
 2 = least transparent, or least good, or least effective, or did not agree
 3 = not sure or can't answer
 4 = transparent, good, effective, agree
 5 = very transparent, very good, very effective, absolutely agree

b. Outcome: Establishment in regional development plan

As it is presented in the logical framework, the LERD program defines that intended outcome is an action plan raised by LERD teams in collaboration with other stakeholder in the region through initiative to develop local economy. In order to execute the action plan and to maintain the plan over the years, the plan may well be included in the regional medium term development plan or *rencana pembangunan jangka menengah daerah* (RPJMD). It is a five year plan of the region prepared by a local planning agency. The plan is written under consultation with the local congress, public sector and all interested stakeholders in the region.

This is in accordance with the program objective and the nature of timeframe of the outcome. Short-term outcomes should be attainable within 1 to 3 years, while longer-term outcomes should be achievable within 4 to 6 years. The logical progression from short-term to long-term outcomes should be reflected in the impact occurring within about 7 to 10 years (Kellogg Foundation, 1998).

On that reason, the effort is to find the outcome conducted through searching the action plan related to the program and its appearance in RPJMD of regions. RPJMD book is gathered from the Bappenas library and some of RPJMD can be found and downloaded from internet sources. However, only limited amount of RPJMD could be attained. On the basis of available and collected RPJMD, the author searched the action plan specifically related to LERD in the contents of RPJMD. Table 6.6 presents the result.

Table 6.6 LERD Program and RPJM

Region	Year of LERD participation	Timeframe of RPJMD	LERD Specific action plan in RPJMD	LED general program in RPJM
Kota Makassar Provinsi Sulawesi Selatan	2003	2005 - 2010		Program to develop local economic competitiveness. Program to enhance prime commodity with sub program to empower people in coastal area and other program related to

			fishery.
Kota Tasikmalaya Provinsi Jawa Barat	2005	2006-2010	Program to develop local economy based on region and prime commodity approach
Provinsi Sulawesi Tengah	2006	2006-2011	LERD Program Stated in RPJM. It also stated VCO (virgin coconut oil) product in the program.
Kabupaten Pinrang Provinsi Sulawesi Selatan	2008	2005 - 2010	Program to empower people in coastal area and fisherman

From four RPJMD presented only one RPJMD specifies LERD specific action plan in the document. In the matrix of the program of RPJM, economic program number V is LERD. It means that for the next five year (2006 – 2011) LERD program should be executed. The RPJM also specifies indicative budget of program for the next 5 years. There are five activities under the program:

1. Monitoring of LERD, in which the responsibility goes to Bappeda (local planning agency).
2. Development of production of LERD, executed by working units/ institutions on agriculture, plantation and livestock.
3. Local economic resource development (LERD), executed by local working units/ institutions on trade, industry and cooperative.
4. Empowerment of the local people through VCO production. Responsibility goes to *Badan Pemberdayaan Masyarakat Desa* (BPMD) or Indonesian: Village Community Empowerment Agency)
5. Promotion and investment of VCO. It becomes a responsibility of the local investment promotion agency (*Badan Koordinasi Penanaman Modal* / BKPM)

This is in accordance with the result from the small survey presented in table 6.5 where participants from local government are not sure or can not answer the outcome of the program.

There is some reason why the action plan is not specified in RPJMD. First, the time frame of RPJMD does not match with the time of LERD training. While most of the time frame of RPJM is 2005-2009 or 2006-2010, LERD training activities occur after the RPJM was

settled. LERD training in 2003 maybe is an exception, but unfortunately, in 2003, LERD training did not specify prime products or commodities to be developed and did not target writing of an action plan.

c. *Impact: Increasing local own source revenues (Pendapatan Asli Daerah) and competitiveness*

Impact is the fundamental intended or unintended change occurring in organizations, communities or systems as a result of program activities within 7 to 10 years (Kellogg Foundation, 1998).

The logical framework of LERD program specify that in the long run, the program could contribute to the expected impact which is increasing local own source revenues and competitiveness. This is to assume that LERD program will increase competitiveness of product or commodity or services, thus can increase production. Furthermore, increasing production could enhance the local economy, thus, could increase local own source revenues. The increase of local own source revenues could come from many sources, including local tax and retribution or earning from local state owned enterprises. In this regards, LERD program does not directly affect the impact specified by the government or program owner, but indirectly contributes to the achievement of impact in the long term.

Based on data of local own source revenues (PAD) for regions participating in LERD program presented in Table 6.7 and 6.8, it is shown that on average, PAD grows almost in every region. The only exception occurs in Kabupaten Muna Sulawesi Tenggara in which the level of PAD in 2008 compared to level of PAD in 2003 is negative as shown in last column of Table 6.9.

Table 6.7 presents local own source revenues (PAD) of districts and provinces participated in LERD project. The number presented is nominal value in billions Rupiah. Table 6.8 also presents local own source revenues (PAD) of districts and provinces participated in LERD project but the number presented is growth change from previous year in percent. The last column of the table presents growth from 2003 to 2008. In term of nominal value as presented Table 6.7, local own source revenue varies across districts, cities and provinces. Some cities and districts such as Bima, Batu, Bau-Bau, Pinrang, Muna, Limapuluh Kota have only small local own source revenues while some other districts have greater local own source revenues. It is normal due to economical characteristic of each region. Some regions are rich with natural resources, have greater geographical space, bigger size of economic

activity, etc. Our concern is not nominal value but growth of local own source revenues. However, Table 6.7 is presented to provide general picture of local own source revenues of districts participated in LERD project.

From Table 6.8, a view of performance of local own source revenues from 2003 to 2008 is illustrated. In percentage number, growth of PAD is presented. It can be seen that almost all districts and provinces could increase their local own source revenues / PAD significantly. Some exceptions occur for some districts with low or negative growth. If the negative growth occurs for long term growth comparison such as district Muna, this is probably due to incomplete data in which data is unavailable.

On the impact of local competitiveness particularly prime products or commodities developed in the region, there is a difficulty in gathering the data. The approach is then by looking at competitiveness of the product which is already available at national level. The competitiveness of a product or commodity is measured through Trade Specialization Index / *Indeks Spesialisai Perdagangan* (ISP).

Table 6.9 presents the trade specialization index for some commodities or products selected in LERD project. HS code in second column is harmonized system code for commodity classification, an international standard system usually used in export import and customs activities. The method for calculating the index is presented in a note below the table. Computation of the index was conducted by the Ministry of Trade of the Republic of Indonesia and is available in their website. However, the latest data available is for the year 2007. Since the LERD program under this evaluation took place in 2003-2008, the implication is that it is difficult to find a conclusion of competitiveness relative to the influence of the program. The index presented here is just to show the condition of competitiveness of prime commodity selected.

The index shows that among twelve commodities presented in the Table 6.9, at least eight commodities are categorized as commodity with good competitiveness and Indonesia tends to export the product since the index number of those commodities are close to one. It is a good sign, but again, it is difficult to conclude the relation of good sign with the program since the positive number of index for those eight commodities starts since 2003 or before the program was implemented. However, the LERD program could contribute positively in maintaining and increasing competitiveness of those commodities because the index shows that from 2003 to 2007, the index number is stable and tend to increase for some commodities.

Table 6.7 Local Own Source Revenues (PAD) in billions rupiah

Region	2003	2004	2005	2006	2007	2008
Kabupaten Tanah Datar, Sumbar	12	15	23	21	30	32
Kota Cimahi, Jabar	30	39	66	50	56	65
Kabupaten Subang, Jabar	37	39	46	42	56	64
Provinsi Jawa Barat	2164	2847	3605	3400	4222	5275
Provinsi Sumatera Selatan	428	493	591	619	848	1143
Riau	659	710	770	878	na	na
Kota Pontianak	31	35	42	53	58	64
Kabupaten Sleman, DIY	53	60	78	86	121	153
Kota Makassar, Sulsel	79	85	100	114	137	158
Provinsi Sulawesi Selatan	445	564	249	694	993	1239
Kota Yogyakarta, DIY	69	80	89	92	114	132
Kabupaten Barru, Sulsel	9	10	8	11	17	13
Provinsi Jawa Tengah	1447	1865	2491	2550	2933	3699
Provinsi Kalimantan Selatan	278	364	530	582	701	1052
Kota Tasikmalaya, Jabar	na	31	39	37	59	64
Provinsi Nangro Aceh Darusalam	104	198	262	na	588	722
Provinsi Sulawesi Tengah	101	123	141	na	194	268
Kota Bima, NTB	2	3	4	6	5	6
Kota Batu, Jatim	7	7	8	11	15	19
Kabupaten Serang, Jabar	62	68	na	84	128	125
Provinsi Kalimantan Barat	na	na	295	337	437	587
Kota Palembang, Sumsel	64	62	79	103	123	139
Kabupaten Gorontalo, Gorontalo	18	12	na	13	20	22
Kabupaten Klaten, Jateng	22	27	29	36	43	50
Provinsi Sulawesi Tenggara	76	na	103	122	140	302
Kabupaten Bogor, Jabar	149	166	199	202	265	308
Kota Bau-Bau, Sultra	6	7	na	8	15	23
Provinsi Jawa Tengah	1447	1865	2491	2550	2933	3699
Kabupaten (Adm) Kepulauan Seribu	na	na	na	na	na	na
Provinsi Sulawesi Selatan	445	564	249	694	993	1239
Kabupaten Pinrang Sulawesi Selatan	9	na	na	16	23	23
Kabupaten Belitung	22	20	na	26	38	45
Kota Pekalongan Jawa Tengah	14	16	15	16	26	30
Kabupaten Muna sulawesi tenggara	21	na	na	na	20	19
Kabupaten Limapuluh Kota Sumbar	17	10	na	11	18	21

Source: DJPK, Kementerian Keuangan and Indonesia Sub National Data and Statistic World Bank

Note: na means data are not available

Table 6.8 Growth of Local Own Source Revenues (PAD) in percentage

Region	2004	2005	2006	2007	2008	2003-2008
Kabupaten Tanah Datar, Sumbar	29.0	48.9	-8.2	42.9	6.1	167.2
Kota Cimahi, Jabar	30.4	68.0	-25.0	12.8	16.3	115.4
Kabupaten Subang, Jabar	5.3	18.3	-8.2	32.4	15.0	74.1
Provinsi Jawa Barat	31.5	26.6	-5.7	24.2	25.0	143.7
Provinsi Sumatera Selatan	15.2	19.8	4.8	36.9	34.8	167.0
Riau	7.9	8.3	14.0			
Kota Pontianak	11.0	19.4	27.2	9.6	10.8	104.7
Kabupaten Sleman, DIY	13.5	29.6	11.0	39.9	26.4	188.5
Kota Makasar, Sulsel	8.1	17.4	14.0	20.1	15.7	101.0
Provinsi Sulawesi Selatan	26.6	-55.8	178.6	43.1	24.7	178.3
Kota Yogyakarta, DIY	16.5	11.6	2.7	24.7	15.9	93.0
Kabupaten Baru, Sulsel	14.5	-21.2	33.6	65.0	-23.4	52.4
Provinsi Jawa Tengah	28.9	33.5	2.4	15.0	26.1	155.5
Provinsi Kalimantan Selatan	31.2	45.6	9.8	20.4	50.1	279.0
Kota Tasikmalaya, Jabar		25.3	-3.2	56.9	9.0	
Provinsi Nangro Aceh Darusalam	91.7	32.1			22.8	597.1
Provinsi Sulawesi Tengah	22.2	15.0			38.1	166.7
Kota Bima, NTB	31.1	53.0	59.4	-20.4	27.7	224.9
Kota Batu, Jatim	-1.7	19.1	30.9	35.6	24.7	159.1
Kabupaten Serang, Jabar	9.9			52.0	-2.1	102.3
Provinsi Kalimantan Barat			14.1	29.6	34.4	
Kota Palembang, Sumsel	-3.0	27.8	31.2	19.2	13.0	119.1
Kabupaten Gorontalo, Gorontalo	-33.8			55.2	7.9	18.1
Kabupaten Klaten, Jateng	21.4	7.5	24.7	17.3	16.5	122.3
Provinsi Sulawesi Tenggara			18.7	15.1	115.0	294.5
Kabupaten Bogor, Jabar	11.6	20.0	1.4	31.2	15.9	106.6
Kota Bau-Bau, Sultra	11.8			87.4	51.3	270.1
Provinsi Jawa Tengah	28.9	33.5	2.4	15.0	26.1	155.5
Kabupaten (Adm) Kepulauan Seribu						
Provinsi Sulawesi Selatan	26.6	-55.8	178.6	43.0	24.7	178.3
Kabupaten Pinrang Sulawesi Selatan				40.6	0.3	153.0
Kabupaten Belitung	-11.2			47.9	20.1	106.1
Kota Pekalongan Jawa Tengah	15.9	-4.2	6.2	59.6	16.9	120.0
Kabupaten Muna sulawesi tenggara					-8.4	-11.6
Kabupaten Limapuluh Kota Sumbar	-41.3			66.6	17.3	19.9

Source: DJPK, Kementerian Keuangan and Indonesia Sub National Data and Statistic World Bank

Table 6.9 Indonesian Trade Specialization Index

No	HS Code	Commodity	2003	2004	2005	2006	2007
1	140120	RATTANS USED PRIMARILY FOR PLAITING	0.96	0.97	0.98	0.99	0.99
2	5810	EMBROIDERY IN THE PIECE, IN STRIPS OR IN MOTIFS(+).	0.91	0.81	0.74	0.94	0.88
3	0901	COFFEE, WHETHER OR NOT ROASTED OR DECAFEINATED; COFFEE HUSKS AND SKINS;	0.95	0.95	0.97	0.96	0.78
4	7101	PEARLS, NATURAL OR CULTURED, WHETHER OR NOT WORKED OR GRADED BUT NOT STRUNG, MOUNTED OR SET; PEARLS, NATURAL OR CULTURED,	0.99	0.99	0.99	0.99	0.99
5	0808	APPLES, PEARS AND QUINCES, FRESH	-0.9	-0.9	-0.9	-0.9	-0.9
6	121299100	EMPING MELINJO	1	0.63	0.49	0.78	-1
7	1005	MAIZE (CORN) (+)	-0.9	-0.9	-0.5	-0.9	-0.7
8	7303	TUBES, PIPES AND HOLLOW PROFILES, OF CAST IRON.	0.68	-0.0	-0.8	-0.3	-0.7
9	121220	SEAWEEDS AND OTHER ALGAE, FRESH OR DRIED, WHETHER OR NOT GROUND	0.97	0.96	0.97	0.98	0.97
10	18	COCOA AND COCOA PREPARATIONS	0.77	0.72	0.77	0.83	0.83
12	160520	SHRIMPS AND PRAWNS, PREPARED OR PRESERVED, INCLUDING PRODUCTS CONTAINING FISH MEAT	0.83	0.99	0.99	0.99	0.99

Source: Ministry of Trade, Republic of Indonesia

Available online at http://www.depdag.go.id/addon/depdag_isp/

Retrieved on April 19, 2010

Note:

Trade Specialization Index is helpful to analyze position or developmental stage of product. It can be employed to show whether for a product, a country is tend to export or to import.

Formula for the index is :

$$TSI = \frac{(X_{ia} - M_{ia})}{(X_{ia} + M_{ia})}$$

Where TSI is trade specialization index, X is export, M is import, i is commodity, and a is country.

The index number will range between -1 to +1. Positive number 0 to 1 means that the commodity has good competitiveness or the country will tend to export the commodity, while negative number from 0 to -1 means otherwise.

This chapter has presented a case study of LERD evaluation using designed LED evaluation framework based on adaptation of CIPP evaluation model. The results suggest that the framework is working well in evaluating the LERD project. All aspects of evaluation: context, input, process and product evaluation are implemented successfully. For product evaluation, evaluation based on logical framework of the program is successfully embedded.

CHAPTER 7

CONCLUSION

7.1 Conclusion

This thesis discusses evaluation design and the framework to evaluate local economic development (LED) program. In order to find a suitable framework for evaluating the local economic development program in Indonesia, an identification of available evaluation models in the literature is conducted along with review on previous works of LED program evaluation and its framework. Based on that, a framework for LED evaluation is constructed. The framework is constructed based on an adaptation of CIPP (Context, Input, Process and Product) model for LED evaluation. The framework suggests that evaluation consist of context, input, process and product. Evaluation on product consists of output, outcome and impact following logical framework of the program. By using this framework, a comprehensive evaluation on LED program is expected to occur.

Furthermore, the framework is applied into a case study of a LED program in Indonesia. On this purpose, evaluation of Local Economic Resource Development (LERD) program in Indonesia is conducted in the thesis. The result suggests that in general the framework suits and works well in evaluating the program.

LERD is a project held by Indonesian Government under cooperation with Netherlands Government represented by NESO starting from 2003 to 2008. The main activity is training program for LERD team in Indonesia and the Netherlands. During the period of the program, some improvements and additional activities have been made, such as product mapping and commodity selection starting from 2005 and local and national seminar for 2007 LERD participants that held in 2008.

On the evaluation of context, a need to increase and upgrade local capacity in managing local economic development and policy arises because of new changes in the social and economic environment of decentralization and democratization drive new responsibility of local government officials. To answer the needs, LERD program is designed with two objectives: (1) in the short run, to improve skills and knowledge of local people in managing local economic development and (2) in the long run, to increase competitiveness and local own sources revenue (*pendapatan asli daerah* / PAD).

Despite the achievement of the program to meet its goal, it is identified that there are still unmet needs of other stakeholders and other regions. This becomes a challenge for further improvements of the program. At least two activities are essential to meet this challenge. First, dissemination of knowledge from LERD team to other stakeholders in the region will help as an effort to increase stakeholder involvement in the LED program. Second, replication of the program on other regions is also essential to spread the LERD program extensively. It is also identified that there are assets to meet those challenges. Alumni of LERD training, especially university lecturers and the existence of universities in every province can play a role in disseminating the LED knowledge.

On the evaluation of input, it is identified that key inputs of the program are: LERD training participants, training providers (universities), funding of the program (NESO and Bappenas), and supporting institutions (Bappenas, local governments). To date, a majority of training participants are the local government officers. However, there is a growing trend of participants from the private sector / entrepreneur. This is a good progress, because diversity of institutions of training participants in LERD is important in order to create a good and solid team necessary for a successful LED program.

On the evaluation of process, LERD training is implemented through some stages starting with product mapping, training activities and seminars. Product mapping has been conducted by universities through some economic indicators. For further improvement, maybe other stakeholders can join the discussion on which products or commodities or services are going to be selected. For training activities assessment, the result suggests that there is a good valuation of training quality and effectiveness felt by participants. Initial process of LERD training in term of transparency and information were also found to be transparent.

On the evaluation of product, assessment in product evaluation could include output, outcome and long term outcomes (impact). Identification of output, outcome and impact is following the logical framework of the LERD program. For the assessment of output, LERD participants from government institutions on average agree that there is a benefit and improvement in terms of new knowledge and experiences. For the assessment of outcome, not all regions participated in LERD have documented the action plan in the regional medium term development plan (*rencana pembangunan jangka menengah daerah / RPJMD*). There is some reason why the action plan is not specified in RPJMD. First, the time frame of RPJMD does not match the time of LERD training. While the most of time frame of RPJM is during 2005-2009 or 2006-2010, the events of LERD training occur after the RPJM was settled.

LERD training in 2003 maybe is an exception but unfortunately, in 2003, LERD training did not specify prime products or commodities to be developed and did not target the writing of an action plan.

For the assessment of impact, in the long run, the program could contribute to the expected impact which is increasing local own resources and competitiveness. This is to assume that the LERD program will increase competitiveness of product or commodity or services, thus can increase production. Furthermore, increasing production could enhance local economy, thus could increase local own sources, revenue. The increase of local own sources revenue could come from many sources including local tax and retribution or earning from local state owned enterprises. In this regards, LERD program does not directly affect the impact specified by the government or program owner, but indirectly contributes to the achievement of impact in the long term. To date, local own sources revenue (*pendapatan asli daerah* / PAD) for regions participated in LERD program on average PAD grows every year almost in every region.

7.2 Limitation

The program to be evaluated as a case study in this thesis is the LERD program from 2003 – 2008. While output could immediately occur, outcome and impact of a program usually occurred after some years, could be one to three or to five year and even to seven years after the completion of the program. In this circumstance, there is limitation of this thesis on evaluating the outcome and the impact.

In addition, the data required for the assessment of outcome and impact is also limited. One of the goals of the LERD program is to increase local competitiveness. Unfortunately, there was a difficulty in gathering data to assess competitiveness at local level. As a proxy, commodity or product competitiveness at national level is employed under the assumption that on a national scale, the region of LERD program is the main producer of the selected product.

7.3 Recommendation

Based on findings from this research presented in previous chapter, some recommendations can be made. First, participation of all stakeholders is proposed to be started from an early stage. The current process shows that participation from other stakeholders beyond the LERD team is organized in the middle of the process. It is organized when other stakeholder are

invited to local seminars. This is not strong enough to gain support and to secure stakeholders' commitment.

Second, in terms of product mapping or commodity selection in LERD program, it is recommended that the process of product mapping and region selection is conducted through consultation with stakeholders both at national and regional level under the assumption that they have local knowledge about the potential prime commodity. At the same time, this effort could increase the degree of participation and hopefully could increase their support and commitment to the program.

Third, transfer of knowledge from LERD training participant should be institutionalized through organized and planned events. A forum like roundtable discussions maybe can be employed.

Fourth, the action plan designed by the LERD team should be documented and may well be disseminated to all stakeholders. So it can be easily found and hopefully could increase attention from other stakeholders. Finally, the proportion of participants from the private sector could be increased in order to guarantee better implementation of product/ commodity or service development.

REFERENCES

- Alliger, G. M., & Janak, E. A. (1989). Kirkpatrick's levels of training criteria: Thirty years later. *Personnel Psychology*, 42(2), 331-342.
- Alvarez, K., Salas, E., & Garofano, C. M. (2004). An integrated model of training evaluation and effectiveness. *Human Resource Development Review*, 3(4), 385.
- Bamberger, M. (1989). The Monitoring and Evaluation of Public Sector Programs in Asia: Why are Development Programs Monitored but not Evaluated? *Evaluation Review*, 13(3), 223.
- Bappenas (2008), Laporan Final Evaluasi LERD 2003 – 2007, Unpublished report, Jakarta.
- Bartik, T. J. (2004) Evaluating the impacts of local economic development policies on local economic outcomes: what has been done and what is doable? In Nolan, A., & Wong, G. (eds.). *Evaluating local economic and employment development: how to assess what works among programmes and policies*: Publications de l'OCDE.
- Bartik, T. J., & Bingham, R. (1995). *Can economic development programs be evaluated?* WE Upjohn Institute for Employment Research, Kalamazoo, MI: Staff Working Paper 95-29.
- Bates, R. (2004). A critical analysis of evaluation practice: the Kirkpatrick model and the principle of beneficence. *Evaluation and Program Planning*, 27(3), 341-347.
- Binnendijk, A. L. (1989). Donor agency experience with the monitoring and evaluation of development projects. *Evaluation Review*, 13(3), 206.
- Birkholzer, K. (2005). Local Economic Development and its Potential. Paper presented at the Seminar on Local Economic Development organized by Networks of Associations of Local Authorities of South-Eastern Europe, April 14-15, 2005, Brcko, Bosnia and Herzegovina.
- Canzanelli, G. (2001) "Overview and learned lessons on Local Economic Development, Human Development, and Decent Work". Programa Universitas (Programa de parternariados de la OIT) edn, Organización Internacional del Trabajo (OIT), Genova, Italia.
- Dewar, M. E. (1998). Why state and local economic development programs cause so little economic development. *Economic Development Quarterly*, 12(1), 68-87.
- EGAT/UP & The Urban Institute. (2003). Assessing and Starting a Local Economic Development (LED) Initiative: A Primer for USAID Field Staff. Available at <http://www.urban.org/url.cfm?ID=411087> retrieved on January 27, 2010
- Fiszbein, A., Lowden, P. (1999), *Working Together for Change: Government, Business, and Civic Partnerships for Poverty Reduction in Latin America and the Caribbean*, Economic Development Institute, Washington, DC, .
- Foxon, M. (1989). Evaluation of training and development programs: A review of the literature. *Australian Journal of Educational Technology*, 5(2), 89-104.
- Goldman, I., Nel, E. (2005). A Framework for Monitoring and Evaluation of Pro-Poor Local Economic Development. Available online from:

<http://siteresources.worldbank.org/INTLED/Resources/339650-1144099718914/ProPoorMEEExecSum.pdf>

(Retrieved on February 20, 2010)

Guba, E. G., & Lincoln, Y. S. (2001). Guidelines and checklist for constructivist (aka fourth generation) evaluation. *The Evaluation Center, Evaluation Checklists*. Available online at www.wmich.edu/evalctr/checklists/constructivisteval.pdf

(Retrieved on April 11, 2010).

Guba, E. G., & Lincoln, Y. S. (1989). *Fourth generation evaluation*: Sage Publ.

Hansen, H. F. (2005). Choosing evaluation models: a discussion on evaluation design. *Evaluation*, 11(4), 447-462.

Helmsing, A. H. J., (2001). Local Economic Development: new generations of actors, policies, and instruments. Paper prepared for the UNCDF symposium on Decentralization Local Governance in Africa.

Hill, H., Resosudarmo, B. P., & Vidyattama, Y. (2008). Indonesia's Changing Economic Geography, *Bulletin of Indonesian Economic Studies*, 44: 3, 407 — 435

Hughes, J. T. (1991). Evaluation of local economic development: a challenge for policy research. *Urban Studies*, 28(6), 909-918.

Kahan, B. (2008). Excerpts from Review of Evaluation Frameworks. Retrieved on March 20, 2010 from <http://www.idmbestpractices.ca/pdf/evaluation-frameworks-review.pdf>

Kirkpatrick, D. L., & Kirkpatrick, J. D. (2006). *Evaluating training programs: The four levels* (3 ed.): Berrett-Koehler.

KPEL Secretariat (2002). *KPEL's 13 Steps to local economic development*, KPEL Secretariat, Jakarta.

Leeuwen, R. van. (2009). Local Economic Development; an investigation of success factors. Master thesis, University of Groningen, The Netherlands.

Lincoln, Y. S., & Guba, E. G. (1985). *Naturalistic inquiry*: Sage Publications, Inc.

Madaus, G. F., & Stufflebeam, D. L. (2002). Program Evaluation: a Historical Overview, in Evaluation. In Stufflebeam, D. L., Madaus, G. F., & Kellaghan, T. (2002). *Evaluation models: Viewpoints on educational and human services evaluation*: Kluwer Academic Pub.

Madaus, G. F., & Kellaghan, T. (2002). Models, Metaphors, and Definitions in Evaluation. In Stufflebeam, D. L., Madaus, G. F., & Kellaghan, T. (2002). *Evaluation models: Viewpoints on educational and human services evaluation*: Kluwer Academic Pub.

McLaughlin, J. A., & Jordan, G. B. (1999). Logic models: a tool for telling your programs performance story. *Evaluation and Program Planning*, 22(1), 65-72.

Millar, A., Simeone, R. S., & Carnevale, J. T. (2001). Logic Models: A Systems Tool for Performance Management. *Evaluation and Program Planning*, 24(1), 73-81.

Ministry of Finance & Bappenas (2009). *Pedoman Reformasi Perencanaan dan Penganggaran*, Ministry of Finance and Bappenas, Jakarta.

- Momen S. Md. (2006) Toward synergistic rural-urban development The experience of the Rural Urban Partnership Programme (RUPP) in Nepal, Working Paper Series on Rural-Urban Interactions and Livelihood Strategies: Working Paper 13, International Institute for Environment and Development.
- Nel, E.L. (1999). *Regional and Local Economic Development in South Africa*. Ashgate Publishing. Aldershot.
- Nel, E. (2001). Local economic development: A review and assessment of its current status in South Africa. *Urban Studies*, 38(7), 1003-1024.
- Nel, E. & Goldman, I. (2005). A Framework for Monitoring and Evaluation of Pro-Poor Local Economic Development. Paper prepared for the World Bank-Netherlands Partnership Program Evaluating and Disseminating Experiences in Local Economic Development (LED). Retrieved on March 16, 2010.
- Nel, E. L., & McQuaid, R. W. (2002). The evolution of local economic development in South Africa: The case of Stutterheim and social capital. *Economic Development Quarterly*, 16(1), 60-74.
- Nel, E., & Rogerson, C. M. (2007). Evolving local economic development policy and practice in South Africa with special reference to smaller urban centres. *Urban Forum* 18, 1-11.
- Nolan, A., Wong, G. (2004) Evaluating Programmes for Local Economic and Employment Development: an Overview with Policy Recommendations In Nolan, A., & Wong, G. (eds.). Evaluating local economic and employment development: how to assess what works among programmes and policies: Publications de l'OCDE.
- Nui, G., Callanan, S., Cuddy, M., & Morand, F. (2001). Methodology for the Evaluation of Rural Development Policy Measures: IDARA Working Paper (D2, Work Package 1). Available online at http://www.agp.uni-bonn.de/agpo/rsrch/idara/rural/Gallway_D2_030501.doc (retrieved on March 18, 2010)
- Pater, R. (2007). Local Economic Development in Uganda: Organizing the demand side conditions of a microfinance project. Master thesis, University of Groningen, The Netherlands.
- Reese, L. A., & Fassenfest, D. (1997). What works best?: Values and the evaluation of local economic development policy. *Economic Development Quarterly*, 11(3), 195.
- Royse, D., Thyer, B. A., & Padgett, D. K. (2009). *Program evaluation: An introduction*: Brooks/Cole Pub Co.
- Scriven, M. (1996). Types of evaluation and types of evaluator. *American journal of evaluation*, 17(2), 151-161.
- Stufflebeam, D. (2001a). Evaluation Models. *New Directions for Evaluation*, 89, 7-98.
- Stufflebeam, D. (2001b). CIPP Evaluation Model Checklist. Available at http://www.wmich.edu/evalctr/checklists/cippchecklist_mar07.pdf Retrieved on March 20, 2010

Stufflebeam, D. L. (2003). The CIPP model for evaluation. In T. Kellaghan & D. L. Stufflebeam (Eds.), *The international handbook of educational evaluation* (pp. 31-62). Dordrecht: Kluwer Academic Publishers.

Stufflebeam, D. L., Madaus, G. F., & Kellaghan, T. (2002). *Evaluation models: Viewpoints on educational and human services evaluation*: Kluwer Academic Pub.

Sumarto, S., Suryahadi, A., & Widyanti. W. (2002). Designs and Implementation of Indonesian Social Safety Net Programs, *The Developing Economies*, XL-1: 3-31

Swinburn, G., Goga, S., & Murphy, F. (2006). *Local Economic Development: a primer developing and implementing local economic development strategies and action plans*. Washington, D.C. Bertelsmann Stiftung, Gütersloh; The World Bank.

United Nations. (2005). Rural-urban linkages for poverty reduction: A review of selected approaches from Asia and the Pacific. United Nations. Available at <http://www.unescap.org/pdd/prs/ProjectActivities/Ongoing/Rural-Urban%20Linkages/RU%20linkages%20for%20povreduction.pdf> retrieved on January 27, 2010.

UN-HABITAT (2005), *Promoting Local Economic Development through Strategic Planning – Volume 2: Manual*, United Nations Human Settlements Programme (UN-HABITAT).

Weiler, S. (2000). Information and market failure in local economic development: A new role for universities? *Economic Development Quarterly*, 14(2), 194-203.

Wolfard, V. (2008), *Local Economic Resource Development: An Overview of the Projects in Indonesia*, Master Thesis, University of Groningen, The Netherlands.

World Bank (2007) *Spending for Development: Making the Most of Indonesia's New Opportunities*, World Bank, Washington DC.

W. K. Kellogg Foundation, (1998). *Evaluation Handbook: Philosophy and Expectations*. available online at <http://www.wkkf.org/Pubs/Tools/Evaluation/Pub770.pdf> retrieved on april 10, 2010.

Yin, R. K. (1992). The case study method as a tool for doing evaluation. *Current Sociology*, 40(1), 121-137.

Appendix

Questionnaire for LERD Participants

Questions	Notes	Jawaban (Answer)
Transparansi informasi mengenai program (dari pihak penyelenggara: Bappenas, Universitas, dll) <i>Transparency of program's initial information from program initiator to stakeholder.</i>	1 Tidak transparan 2 Kurang transparan 3 Netral/ ragu-ragu 4 Cukup transparan 5 Sangat transparan	
Kualitas penyampaian informasi selama training/program berlangsung (dari dosen/pembimbing) <i>The quality of sharing information (in training) from trainer to trainee</i>	1 Tidak memuaskan 2 Kurang memuaskan 3 Netral/ragu-ragu 4 Cukup memuaskan 5 Sangat memuaskan	
Efektivitas waktu training (pembagian waktu antara lama training dan banyaknya informasi yang diberikan) <i>The effectiveness of training period (between the training period and the amount of information that was given in the training)</i>	1 Tidak efektif 2 Kurang efektif 3 Netral 4 Cukup efektif 5 Sangat efektif	
Informasi yang disampaikan selama program menambah wawasan/ pengalaman dan pengetahuan baru yang berguna dan berhubungan dengan pekerjaan <i>Gain/ improve new knowledge and experience from the program, which useful and related to the job</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	
Monitoring rutin terhadap program, tidak hanya pada short-term namun juga long-term period <i>Monitoring in short-term and long-term period (sustainable monitoring)</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	
Target short-term (<1 tahun) tercapai sesuai Action Plan yang telah dibuat sebelumnya <i>Short-term target (< 1 year) has been achieved based on Action Plan</i>	1 tercapai <30% 2 tercapai 30%-50% 3 tercapai 50%-70% 4 tercapai 70%-90% 5 tercapai 90%-100%	
Proyek ini berjalan secara kontinuitas dan terus berkembang tiap tahunnya <i>Sustainability of the project, and improve each year</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	

Terbentuknya komunitas dan struktur social yang kuat dan bersatu <i>Develop of strong communities and social structure</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	
Terjadi koordinasi dan hubungan kerjasama yang baik dan berkesinambungan antara semua pihak yang terkait <i>Sustainable coordination and partnership between all stakeholder</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	
Semua pihak yang terkait secara aktif berpartisipasi dalam proyek ini <i>Local stakeholders active and involved</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	
Mendorong lingkungan berbisnis, berinvestasi (dari luar maupun dalam area), dan berwirausaha <i>Encourage business environment, investment and entrepreneurship</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	
Program training membantu meningkatnya leadership skill (dalam mengajak penduduk local, memimpin proyek, dll) <i>The program helps to improve leadership skill (in influencing local people, lead the project, etc.)</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	
Meningkatnya kemampuan/ ketrampilan dalam identifikasi dan penyelesaian masalah <i>Improve skill in problem-identification and problem-solving</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	
Meningkatnya kemampuan dan pengetahuan mengenai Perencanaan dan Pelaksanaan sebuah proyek <i>Improve skill and knowledge about planning and implementation a project</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	
Terjadi penyebaran ilmu pengetahuan dan ketrampilan di antara penduduk lokal <i>Ongoing/ sustainable knowledge sharing in local area</i>	1 Sangat tidak setuju 2 Tidak setuju 3 Netral/ragu-ragu 4 Setuju 5 Sangat setuju	

