

2 Participatory Planning

Citizen engagement in the local development process is the key feature in implementing decentralization policy. It gives citizens greater opportunities to influence policy-making processes and the implementation of local policies and programs. Citizen engagement in the local planning and budgeting decision-making process is vital for making local governments accountable in the allocation of local resources, setting development policies that meet citizens' needs and aspirations, supporting pro-poor policies, improving public service delivery, and monitoring the utilization of resources and impact of local policies and programs.

LGSP was tasked with implementing a program that responded to the need for citizen engagement—i.e., “to engage citizens in the local government planning and decision-making process to produce results which reflect citizens’ needs and aspirations and priorities, and to ultimately produce better plans, budgets and management effectiveness of the executive and legislative arms of local government.” The specific objectives of LGSP’s participatory planning support were to:

- Expand the role of citizens and csos in the planning and decision-making processes
- Institutionalize an effective method for citizen participation in decision-making
- Build stronger links among annual, medium-term, and long-term planning
- Enhance the integration of the local government planning and budgeting process.

This chapter describes how LGSP effectively accomplished this task, based on a series of assessments undertaken periodically over the life of the project (see Box 2.1) and on qualitative assessment by LGSP staff through analysis and focus group discussions with implementing partners. After reviewing the general situation at the inception of LGSP, the chapter discusses generic capacity building developed to respond to the needs and challenges, followed by a review of the overall outcomes in capacity and competence in participatory planning. That is followed by sections on specific outcomes in the local development planning process, citizen engagement in the planning process, the quality of local planning documents, the link between planning and budgeting, and the development of a regulatory and institutional framework for sustainability. The chapter closes with lessons learned and recommendations for central government, local government, and donors.

Box 2.1. LGSP participatory planning diagnostics

LGSP developed and implemented two principal assessments under its capacity-building program for participatory planning in local government:

Participatory Planning Diagnostic Assessment (PPDA). This assessment aimed to identify the capacity-building needs of the local government for managing participatory planning in a sustainable manner. The assessment covered eight functional areas critical for participatory local planning—regulatory framework for planning and budgeting; system, mechanism, and procedures; organization and management of planning work; completeness and quality of planning documents; management

competency of planning staff; budget allocation for planning; citizen involvement; and adequacy of technical assistance. This assessment was conducted in 2006 in 20 districts. A follow-up assessment was carried out in 2009, modified to measure changes in (i) organization of planning document preparation and quality; (ii) capacity and competence in managing participatory planning; and (iii) institutionalization of good local planning practices in local regulations. In 2009, the assessment was expanded to cover all 45 partner districts. Focus group discussions were organized in each district to solicit inputs and views from the local planning agency (*Bappeda*), sector agencies, local councils, and civil society organizations. Results were shared with local government, councils, and CSOs at LGSP district closeouts.

Evaluation of annual development planning forum (annual work plan or development plan [RKPD] *Musrenbang*) implementation. LGSP evaluated RKPD implementation in three consecutive years (2007, 2008, and 2009) to help understand the changes in the quality of the annual *Musrenbang* (a multi-stakeholder development planning consultation forum) in particular, and the annual development planning process in general. The survey instrument was developed in collaboration with the Directorate General for Regional Development (*Bangda*) as part of MOHA Decree 50/187/Kep/Bangda/2007. It evaluated four main stages of RKPD *Musrenbang* implementation: preparation; discussion and priority setting; consensus formulation; and post-*Musrenbang*. The evaluation covered nine districts in 2007, 22 districts in 2008, and 41 districts in 2009. The findings were reported in the 2008 LGSP annual report and in a subsequent technical brief on the district planning process.

Situation at Inception of LGSP and Program Approach

This section gives a brief overview of the situation, opportunities, and constraints faced at inception which influenced the approach and strategies used by LGSP to deliver its participatory planning program.

Policy and Regulatory Framework for Citizen Participation

The regulatory environment at the inception of LGSP was characterized by the adoption of a new paradigm as well as new approaches and processes for national and local planning and budgeting.

New paradigm for local planning process

Two laws marked a new era in the local planning approach and process. The first was Law 32/2004 on Regional Governance, which devolved authority in a number of sectors to regional governments, and made public participation a primary means to address community welfare objectives. This law aimed to create a sense of public ownership in local governance, ensure greater transparency and accountability, and emphasize the public good by shaping community needs and aspirations into tangible programs and services. The second was Law 25/2004 on the National Development Planning System, which institutionalized the creation of a multi-stakeholder consultation forum (the aforementioned *Musrenbang*) at all levels of government for annual, medium-term, and long-term planning. It emphasized the need to synchronize all

approaches—political, democratic, participatory, technocratic, bottom-up, and top-down—in regional planning preparation.¹

Performance budgeting introduced into local financial management

The issuance of Law 17/2003 on State Finances, Government Regulation 58/2005 on Regional Government Financial Management and its implementing directive, and MOHA Regulation 13/2006 on Guidelines for Local Financial Management (Regulation 13), was an attempt to institutionalize accountability, transparency, efficiency, and performance-based budgeting to support more effective public resource allocation and fiscal sustainability, and good governance in general.

Unfortunately, the new planning paradigm was not accompanied by an implementing regulation to integrate the new approaches and processes. Regulation 13 was not accompanied by any implementing guidelines on local planning. This made it difficult for local governments to apply the new approaches and processes in local planning and budgeting.

Local governments thus faced a major task. They had to implement a new planning paradigm and the participatory approach to local planning, and a new performance-based methodology for preparing local plans and budgets, but without the tools to develop entirely new capacities and competencies.

Local Government Capacity to Engage Citizens in Planning Process

LGSP's diagnostic assessment in 2006 found that local government capacity and competence in managing planning work was low. Local governments could be characterized as follows:

Poor level of understanding of national regulatory framework for planning and budgeting due to limited dissemination by central government

Fewer than half of the local governments had a good understanding of the new planning paradigm, or had sufficient capacity and competence to translate it into management of local planning practices.

Lack of local regulatory framework for participatory planning and budgeting

Only a quarter of local governments had attempted to translate the new national regulations into local regulations.

Low level of compliance in producing planning documents

Less than 60% of local governments met the requirements for producing planning documents of sufficient quality. The absence of an implementing regulation from the national government to provide guidance for local planning preparation, and a lack of facilitators, were the main contributing factors.

Low capacity and competence of staff to manage participatory planning

The implementing regulation on citizen participation in local planning did not include sufficient guidelines or tools for identifying and organizing stakeholders; developing the format and criteria for compiling, analyzing, and prioritizing issues, citizens' aspirations, and needs; or administering the *Musrenbang* consensus and integrating it into the budgeting process. Local staff also lacked participatory skills, techniques, and experience.

Low level of community and CSO involvement in planning process

Only about 55% of local governments incorporated citizen participation into the planning process. Contributing factors to this low level of citizen participation were equally low levels of political commitment by top management and the DPRD; insufficient funds budgeted to implement citizen participation; limited interest among citizens and CSOs to participate in the planning process and *Musrenbang*; and poor relations among the local government, citizens, and CSOs.

Program Approach

In view of the program objectives, the situation at program inception, and the diagnostic findings discussed above, the program for participatory planning was organized along the following lines:

- ***Enhancement of quality of citizen engagement*** in order to increase the role and involvement of citizens and CSOs in the planning and budgeting decision-making processes, and to encourage effective communications among the local government, local council (DPRD), and citizens in the local development process.
- ***Enhancement of quality of local planning document preparation*** in order to encourage local governments to produce better-quality planning documents; integrate the local government planning and budgeting process; develop stronger links between annual, medium-term, and long-term planning; and strengthen the capacity and competence of local government sector departments (SKPD; e.g., departments of health, education, and public works) to prepare participatory development plans and manage public participation.
- ***Development of regulatory and institutional framework*** to sustain implementation of strategic, performance-oriented, and participatory local planning. This addressed the need to institutionalize and sustain strategic, performance-based, and participatory planning and budgeting through national policy and regulations, while targeting local governments.

Capacity-Building Program

LGSP developed a capacity-building program to achieve these goals and objectives; to respond to the diagnostic results; and to respond to recent developments in the regulatory environment for planning and budgeting. The capacity-building program was developed at both the national and local government levels.

At the **national level**, the capacity-building program consisted of advocacy and facilitation to the Directorate General for Regional Development (*Bangda*) on a broad range of local government planning documents. LGSP facilitated *Bangda's* development of **guidelines** for planning document preparation, including annual and medium-term development plans, and sectoral department work plans. LGSP also facilitated *Bangda's* formulation of a **national policy and regulation** on the local government planning preparation process, procedures, and mechanisms.

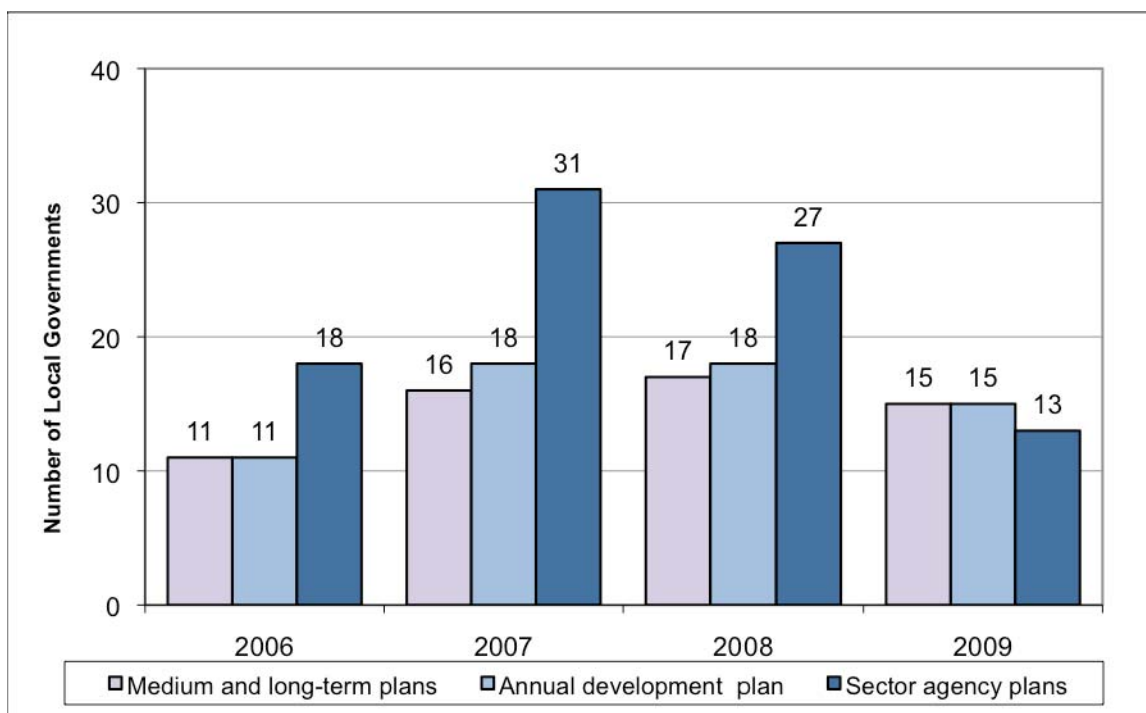
At the **local level**, the capacity-building program was organized as follows.

Training and Facilitation on Broad Range of Planning Processes and Documents

This included the preparation of a broad range of regional development plans, including long-term plans (RPJPD), medium-term plans (RPJMD and *Renstra SKPD*), and annual development plans (RKPD and *Renja SKPD*), as well as the preparation of sector department (SKPD) planning documents, particularly in the health and education sectors. This training and facilitation covered all aspects of the planning process and also included facilitation techniques.

Figure 2.1 shows the number of local governments for which LGSP facilitated preparation of planning documents.

Figure 2.1. Number of local governments preparing participatory planning documents, by document type, 2006–2009



Training facilitators on local planning

LGSP trained facilitators from government and nongovernment stakeholders in *Musrenbang* and sector planning. The training covered basic techniques and skills for facilitating participatory planning, the planning process, annual planning preparation at the district and sector department level, and accommodation of the *Musrenbang* consensus in the budgeting process.

Training and facilitating local council (DPRD) planning processes

LGSP facilitated preparation of local council work plans (*Renja DPRD*) in 18 local governments. The training and facilitation included a review of the role and functions of the DPRD in the local governance process, the process of *Renja DPRD* preparation and its integration into the annual planning and budgeting process, an evaluation of DPRD performance, and public consultations on the work plan draft. In collaboration with CSOs, LGSP also facilitated the DPRD’s review of the local government’s draft medium- and long-term planning documents before they were submitted for ratification.

Technical assistance to local planning agencies (Bappeda) on planning oversight: Clinics

These planning clinics, which were supported by service providers, were intended to strengthen the coordinating role of the *Bappeda* in ensuring SKPD compliance in strategic and annual work

plan preparation, and to provide better-organized assistance to sector departments in developing these drafts, reviewing progress, and enhancing their substantive quality.

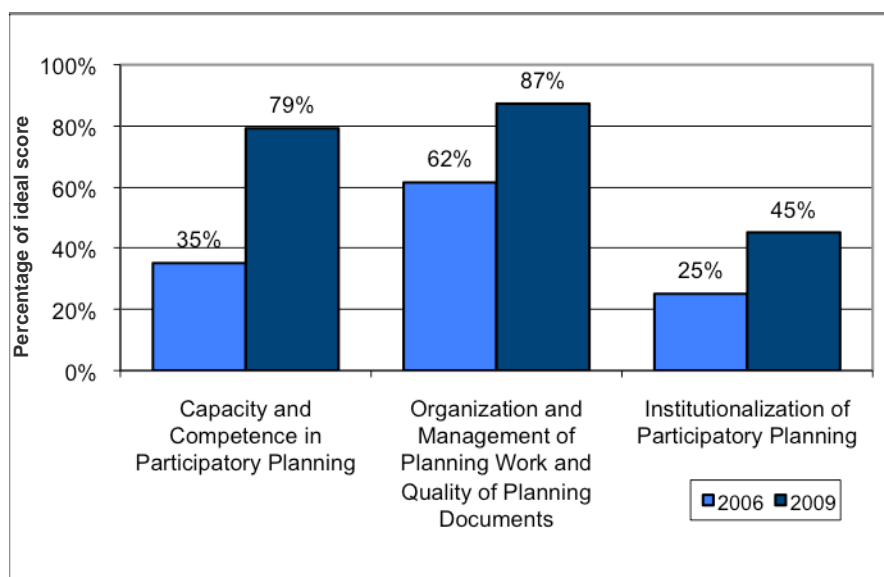
Overall Outcomes in Participatory Planning Capacity and Process

The participatory planning diagnostic assessment and end-of-project evaluations of *Musrenbang* implementation (described above in Box 2.1) revealed significant improvements in the planning capacity of LGSP partner jurisdictions over the course of LGSP implementation. These findings are described more fully in the following two sections.

Changes in Local Planning Capacity

As Figure 2.2 illustrates, LGSP's capacity-building programs significantly improved local planning capacity, in the areas of general competence in participatory planning, quality and management of planning documents and document preparation, and creation of a regulatory framework to institutionalize participatory planning.

Figure 2.2. Changes in local planning capacity from 2006 to 2009



The main contributors to these changes included (i) a **stronger legal framework**, manifested by issuance of more supporting national regulations on citizen participation and implementing regulations on planning and budgeting, as well as by issuance of local regulations on transparency, accountability, and participatory planning and budgeting; (ii) a **pool of competent facilitators** established to help local governments with the planning preparation process; and (iii) the **capacity and competence of Bappeda and sector departments** in managing planning work.

Stronger legal framework

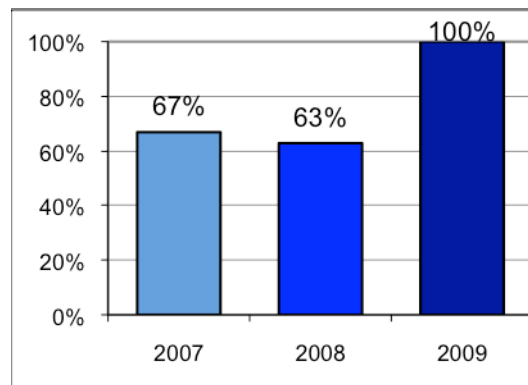
The legal framework became more robust in three areas:

- *Stronger legal basis for citizen participation in the local development process.* Law 14/2008 on Transparency of Public Information, Government Regulation 3/2007 on Accountability Reports by Local Government Heads, and Government Regulation 65/2007 on Guidelines for Local Budget [APBD] Accountability Reports provided a strong foundation for citizens to be involved in all stages of the development planning process, in the preparation of local regulations, and in formulating public policy. They also provided for the application of the principles of accountability, transparency, and performance-based local financial management.
- *More comprehensive implementing regulation for participatory planning.* Government Regulation 8/2008 on Regional Development Planning Preparation, Stages, Monitoring and Evaluation of Implementation and a new MOHA Regulation on Guidelines for RKPD Preparation were both developed in collaboration with LGSP. These regulations helped stimulate local governments to improve the quality of the process, substance, and output of planning documents, and to introduce local regulations on citizen participation in planning and budgeting.
- *Increased number of local regulations on participatory planning.* Local government and DPRD commitment to implement good governance in planning and budgeting was reflected in the increased number of local regulations that were drafted and enacted on participatory planning and budgeting. LGSP facilitated 49 local regulations² on participatory planning and budgeting, transparency and accountability, establishment of transparency commissions, and long-term and medium-term regional development plans.

More and better-trained facilitators

LGSP trained about 800 facilitators in all partner jurisdictions on stakeholder mapping and organization, developing criteria for prioritizing issues and annual program and activities, reaching consensus on program and indicative funding allocations, reaching consensus on funding allocations, and holding public consultations in relation to the drafting of the APBD regulation. By the end of LGSP implementation, most partner jurisdictions were using independent *Musrenbang* facilitators (Figure 2.3).

Figure 2.3. Percentage of local governments using independent Musrenbang facilitators, nine locations, 2007–2009



Enhanced capacity of Bappeda

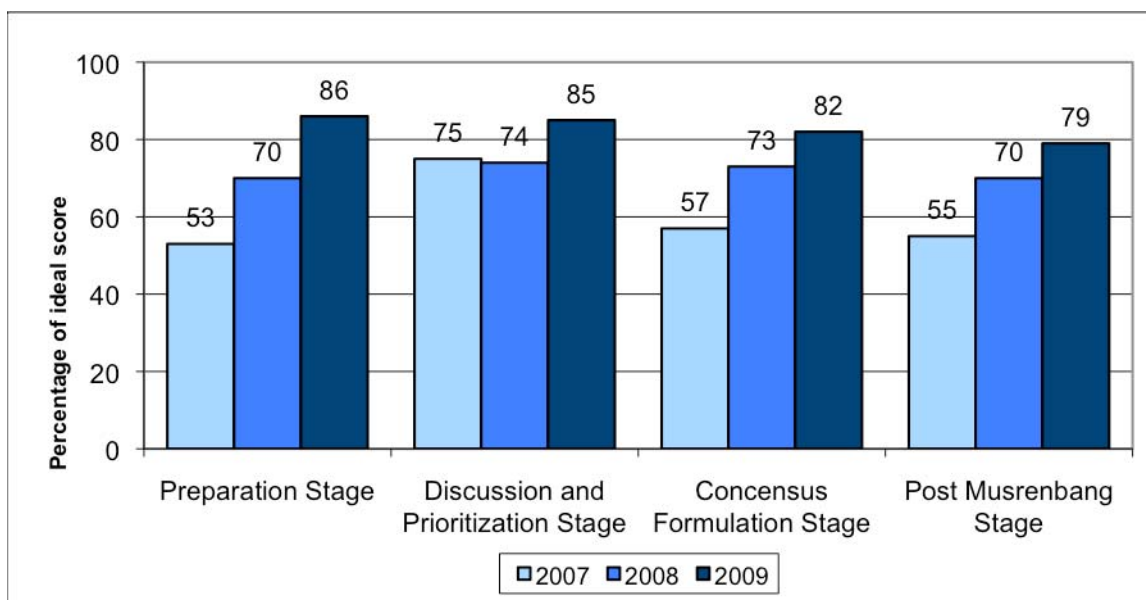
The enhanced role and capacity of *Bappeda* in coordinating and guiding planning document preparation helped to create better-quality planning and budgeting processes and outputs. LGSP’s clinic consultation helped to create effective communication between the SKPD and *Bappeda* during the planning preparation process. It enabled *Bappeda* to monitor and review the quality of the SKPD strategic plan and annual work plan preparation and to better synchronize the medium-term and annual development plans with the sector department strategic plans and annual work plans.

Changes in *Musrenbang* Implementation Process

The *Musrenbang* plays a critical role in enhancing citizen engagement in the planning and budgeting process. Over the 4½ years of the project, the quality of *Musrenbang* implementation improved consistently.

As shown in Figure 2.4, improvements occurred in all four phases of *Musrenbang* implementation (i.e., the preparation, discussion and prioritization, consensus formulation, and post-*Musrenbang* phases). The overall score for *Musrenbang* quality increased by more than 40% from 2007 to 2009. The performance of each *Musrenbang* phase is discussed in more detail below.

Figure 2.4. Musrenbang performance, 2007–2009



Preparation phase

The performance indicators for this phase included, inter alia: (i) the existence of a commitment from the local government, especially from *Bappeda*, to organize an effective *Musrenbang*; and (ii) the availability of adequate planning information in the draft LG work plan, describing the development program priorities, the program funding indicative ceiling for each sector department, and the indicative ceiling for the Village Fund Allocation for each village. Noteworthy results for this phase are illustrated below.

Proportion of local governments that:	(figures in percentages)	
	2007	2009
provide information on indicative budget ceilings	44	78
conduct SKPD forums or joint SKPD forums	28	78
include performance targets for all RKPD program activities	33	100

Variations among districts were mainly determined by the degree of political commitment, the turnover of *Bappeda* heads, and the completeness of information provided by the local government for *Musrenbang* discussions.

Discussion and prioritization phase

The performance indicators for this phase included the development of a common perception among the stakeholders, the local government, and the DPRD about issues and problems encountered; local development priorities, programs, and activities; and synchronization among the programs, activities, and available budget. Noteworthy results for this phase were:

Proportion of local governments that:	(figures in percentages)	
	2007	2009
provide information on deconcentration fund	39	56
provide information on task assistance fund	33	75
provide information on Village Fund Allocation ceiling	56	70
provide information on provincial development plan	67	100
Proportion of local councils involved in <i>Musrenbang</i> discussion phase (i.e., DPRD deputy leader and Budget Committee)	56	100

Variations between districts were largely determined by the quality of citizens' representatives involved in this phase, especially the degree of inclusion of women and marginal groups.

The changes in this phase illustrate how far local government organization of *Musrenbang* implementation improved. LGSP assistance to local governments in applying the *Musrenbang* guidelines³ was a contributing factor to these improvements.

Consensus formulation phase

The performance indicators for this phase were the consensus itself, which becomes the main input for updating the annual development plan draft and the sectoral work plan drafts; and the establishment of a *Musrenbang* delegation forum that is tasked with safeguarding the *Musrenbang* results during the budgeting process. Noteworthy results for this phase were:

- All local governments included the *Musrenbang* consensus results in their official report in 2009, compared with only 50% in 2007.
- The proportion of local governments agreeing on the Village Fund Allocation increased from 67% in 2007 to 89% in 2009. This reflected serious efforts by local governments to retain community proposals adopted at the village *Musrenbang*, and to simplify the *Musrenbang* process through fund allocations that were more oriented toward the village, serving to increase community trust in the *Musrenbang* results.
- The substance of the agreement became more complete and covered the draft RKPD finalization material, the sectoral work plans, the priority list of activities according to funding source, and the funding plan for the Village Fund Allocation. The agreement also accommodated the main concerns presented by the DPRD as well as proposals for regulations and policies required at the district, provincial, and national levels to support the implementation of the local development plan.
- The proportion of local governments establishing a *Musrenbang* Delegation Forum (in Indonesian, *Forum Delegasi Musrenbang*) increased from 67% in 2007 to 78% in 2009. This reflected increased district commitment to involve citizens in the budgeting decision-making processes by obliging the DPRD to include the delegation in the budget document discussions. In Sumedang province, for example, a local regulation on participatory budgeting that clearly specified the role and responsibilities of the

Musrenbang Delegation Forum contributed significantly toward citizen supervision of the annual budget formulation and implementation process.

Variations among districts were mainly determined by the level of completeness of the consensus formulation stage.

Post-Musrenbang phase

The performance indicator for this phase was clear follow-up measures to ensure that the recommendations of the *Musrenbang* are carried into the budgeting process. To improve the prospects for sustaining commitment, LGSP encouraged the drafting of a local regulation on participatory planning and budgeting to enshrine the right of the *Musrenbang* delegation forum to participate in the budgeting decision-making process. An important change noted in this phase was the proportion of local governments having a clear schedule to submit *Musrenbang* results to the DPRD, which increased from 67% in 2007 to 89% in 2009. In contrast, the number of local governments that had a clear schedule for involving citizens in the budget review dropped from 70% in 2008 to 33% in 2009. This drop may have been due to changes in the commitment of regional heads and the DPRD toward transparency, accountability, and the use of participatory budgeting. A change in the regional leader and head of *Bappeda* may directly affect LG commitment to participatory planning and budgeting. Variations among districts were mainly due to the turnover of key *Bappeda* officials (e.g., Nagan Raya and Semarang).

The translation of *Musrenbang* priorities into clear budget line items remains a big challenge. Political will to cooperate between the head of the executive and council leadership, as well as good working relationships at the operational level and informed citizens groups, can help. However, even with good will among the players and better information sharing, it is difficult to effectively link the planning and budgeting processes due to the disconnect between the preparation of the annual work plan by the executive and the preparation of the budget framework documents by the legislative. The integration of planning and budgeting is explored more fully in a subsequent section.

Enhancement of Citizen Engagement in Local Planning Process

There were significant changes in the level of citizen involvement in the planning process over the 4½ years of LGSP program activities (see Box 2.2). Changes occurred in the following areas.

More “Entry Points” for Citizens and CSOs to Engage in the Local Planning Process

LGSP capacity building significantly expanded “entry points” for citizens and CSOs to engage in the local planning process. CSOs and citizens not only were involved in the formal *Musrenbang* review of the draft development plan; they also were involved in most other stages of the

planning process. These included issue identification; vision and mission formulation; objective, policy, and strategy formulation; discussion on the draft plan; and review of the legal drafting process.

Box 2.2. Good practices in community engagement in planning

- With LGSP assistance, Banda Aceh city conducted a city-wide survey of community aspirations involving the media and CSOs. The local government then formulated strategic issues, vision, mission, and items for its long-term development plan.
- In the city of Bogor, CSOs and community organizations were involved in the development of a regional profile as part of the long-term development plan process.
- Kediri city government explored alternative long-term development scenarios by involving CSOs and the private sector.
- In Pacitan, the DPRD and CSOs were active in all stages of the medium-term development plan preparation, with a CSO submitting a concept paper on health and education issues for consideration in program formulation.
- In Madiun city, a CSO was active in the preparation of the DPRD's annual work plan and budget.
- Aceh Jaya used independent facilitators to guide *Musrenbang* implementation and to facilitate annual development plan preparation.
- The Madiun city council (DPRD) sought CSO assistance in reviewing the annual development plan before formulating the general budget policy and budget allocation.

Enhanced Involvement of Women's Groups in Local Planning and Decision-Making Processes

A total of 23,000 people—mostly members of CSOs and the local community—were involved in the public consultations related to development plan preparation during the course of LGSP. Not only did greater numbers of people participate, but also community representation in the local planning process was of better quality. The proportion of women participating in the planning process increased from 19% in 2006 to 29% in 2009.

More Intense Communication Among SKPD, CSOs, and DPRD in Planning Document Preparation and Dissemination

Local governments held an increasing number of public consultations, focus group discussions, and sectoral coordination meetings that were attended by DPRD and CSO members to review the draft planning documents at different stages in the planning process. LGSP facilitated 43 public consultations, 54 sectoral coordination meetings, and 109 focus group discussions, involving 8,298 people.

Better Management of Community Participation by SKPD

Evaluation of pre-*Musrenbang* implementation showed encouraging trends in the number of SKPD that involved members of the community and CSOs in formulating their vision, mission, and medium-term planning program, and in reviewing and formulating the SKPD program and budget to be included in the annual development plan. Through clinic consultations facilitated by service providers, SKPD capacity was strengthened in mapping stakeholders, compiling and reviewing community proposals coming from village and subdistrict *Musrenbang*, preparing draft work plans for *Musrenbang* discussion, and revising the work plan to accommodate *Musrenbang* results.

Enhanced Quality of Planning Documents

This section provides an overview of the changes in the quality of the local planning process, the arrangements for planning preparation, the substance of the local development plan, and the links between planning and budgeting documents. The following changes were generated from the capacity-building program.

Better-Organized Local Planning Team

LGSP advocacy to *Bappeda* resulted in greater awareness of the need to involve representatives from CSOs, universities, and practitioners in organizing the annual development planning team and establishing working groups to focus on the mandatory sectoral functions and services in each local government. This allowed *Bappeda* to better understand the key issues and formulate better development policies, programs and activities, and funding allocation priorities.

Good Local Government Compliance with Regulation on Local Document Preparation

The evaluation of the 2008 planning and budgeting documents rated how far each document complied with the regulations. Compliance levels were as follows:

- Annual development plan or work plan (RKPD): 73%
- General Budget Policy Document (KUA): 89%
- Budget Priorities and Ceiling Document (PPAS): 88%
- Consistency between RKPD and KUA: 80%
- Consistency between KUA and PPAS: 62%

Contributing factors to the lower level of consistency apparent between the KUA and PPAS documents were:

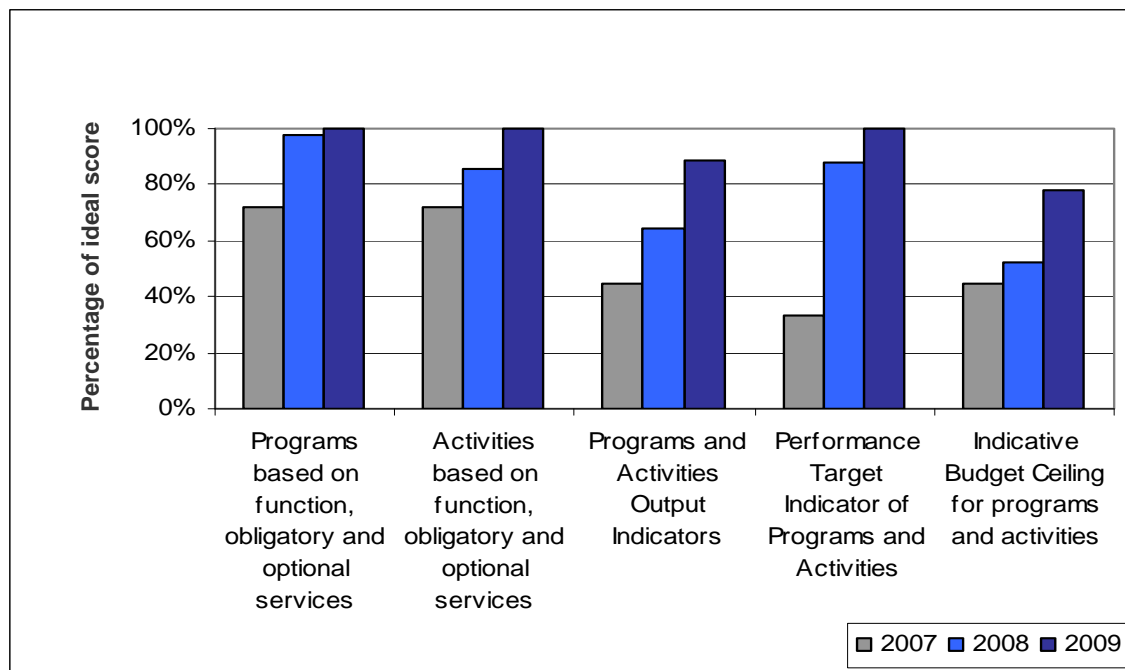
- Lack of an explicit explanation on performance targets for each obligatory function and service, or on how the budget ceiling for the SKPD was established

- Failure to evaluate the previous year’s performance
- No explanation for changes made to the performance targets in the RKPD, KUA, PPAS, and APBD documents.

Improved Substance of Planning Documents

Quality of annual development plans (RKPD) and sector department plans (*Renja SKPD*) improved (see Figure 2.5 and Box 2.3). The evaluation found greater compliance of annual planning documents with the planning and budgeting regulations. The new documents had better information, including a summary of the program and activities according to mandatory local government functions and services, program and activity output indicators, performance target indicators, and indicative budget ceilings.

Figure 2.5. Change in quality of annual development plan (RKPD), 2007–2009



Box 2.3. Good practices in improving quality of planning document preparation

- In Probolinggo and Malang, a good working relationship between the executive and legislative resulted in high consistency among the key documents (RKPD, KUA, PPAS, and APBD). Their average consistency rating was 74% in Probolinggo and 78% in Malang.
- In Aceh Jaya, synchronization between RKPD and *Renja* SKPD in relation to the preparation of general budget policy and budget allocation for SKPD was significantly improved with the assistance of a facilitator.
- In Enrekang, the work of the RPJMD technical team was more effective with the inclusion of a competent local CSO as team member.
- In Pacitan, Pinrang, Jenepono, Pangkep, Kediri, and the city of Parepare, better-quality planning documents were produced with the involvement of a CSO forum or citizen forum.
- The Aceh Barat planning office organized training of subdistrict staff to improve the quality of subdistrict sectoral plans (*Renja SKPD Kecamatan*).
- West Sumatra's provincial government issued a decree establishing provincial facilitators using provincial training institute (*Diklat*) staff to assist and advise local governments on how to improve the quality of their local development plan and budget documents.
- In Nagan Raya and Aceh Jaya, an agreement between the executive and legislative on the annual planning and budgeting calendar helped ensure the timely approval of the budget.

Greater Sector Agency Capacity to Produce Participatory Planning Documents

The proportion of local governments that had held an SKPD forum rose from 28% in 2007 to 78% in 2009. There were encouraging trends in the number of SKPD involving the local community and CSOs in formulating the vision, mission, and medium-term programs for the medium-term plan and sectoral plans, and in reviewing and formulating the sectoral program and budget. Clinic consultations facilitated by LGSP service providers strengthened SKPD capacity in mapping stakeholders, compiling and reviewing community proposals from village and subdistrict *Musrenbang*, preparing draft sector agency work plans for *Musrenbang* discussion, and revising the drafts to accommodate the *Musrenbang* results.

Good Conformity of Annual Development Plans with Key National Priorities

The evaluation of 2008 planning documents found that they all included pro-poor and pro-growth program and activities, and measures to eradicate corruption, collusion, and nepotism, while 81% incorporated pro-job programs and activities, and 56% addressed disaster mitigation.

Improved Linkage Between Medium-Term and Annual Plans

The RKPD documents clearly incorporated medium-term plan objectives into the annual development plan. However, the degree of conformity of the annual work plan and budget contents with medium-term programs and activities varied among districts. Contributing factors

included availability of budget resources, competing political interests and priorities, and frequent budget changes during the year.

Greater Awareness of Need to Improve Quality of Planning Documents

LGSP advocacy and facilitation led to greater awareness among local governments, particularly in the local planning office, of the need to review and revise their existing medium-term plans to make them more strategic, participatory, and performance-based so as to more effectively guide preparation of the other planning documents.

Integration Between Planning and Budgeting

Weak linkages between annual planning and budgeting posed the greatest challenge to the effectiveness of participatory planning. A number of factors contributed to this, many of which were linked to ineffective opportunities for citizen access to information and involvement on a continuous basis in the process.

Fragmented Financing System for Local Development Limited the Effectiveness of Participatory Planning

The different top-down funding sources, procedures, and mechanisms reduced the influence of participatory planning processes on budgeting and the budget allocation process. Funding for local government activities comes from a variety of sources, such as the deconcentration fund, coadministration fund, special allocation fund, revenue sharing fund, and special autonomy fund, as well as special funds allocated directly to local institutions such as schools. All of these contribute significantly to local development financing but are outside the annual APBD budget process. In addition, LGSP found that most information on the availability and magnitude of these funds usually was received by the local government only very late in the budgeting cycle, once the *Musrenbang* process had been completed. This reduced the influence of the *Musrenbang* on the budget allocation process.

Limited Local Budget Resources for Discretionary Expenditures

Linked to the above fragmentation was the limited funding available for discretionary operational expenditures. In general, local governments spent almost 70% of their budget on indirect expenses, including staff salaries and routine local government operational expenses, leaving only a small portion of the budget for direct discretionary expenditures. From this limited budget, local governments still had to put aside a considerable amount in matching funds in order to access top-down funding sources such as the special allocation fund and sectoral development fund. This left a very small envelope of funds to debate and discuss—and to open up for citizen input.

Lack of Regulatory Framework in Participatory Budgeting

The progress of citizen involvement in the planning process was not matched in the budgeting process, where citizen participation still does not yet play a significant role. Citizens have very limited or no access to knowledge about fund allocations obtained from central government transfers.

High Degree of Political Influence in Budgeting Process

The budgeting process, which involves general budget formulation and indicative budget ceilings for SKPD formulation and draft APBD preparation, were uncertain and highly influenced by political process (LG head and DPRD). This resulted in frequent changes to the KUA, budget instructions to local government sector departments (RKA-SKPD), PPAS, and policy blueprint for budgets (RAPBD). DPRD members were likely to have development priorities that were different from those emanating from the executive branch. In addition, many DPRD members were not familiar with some of the complexities of the budget. The process therefore fell largely beyond the scope of citizen oversight, and reduced the opportunity for citizen needs and aspirations to be accommodated by the local budget.

Weak Data for Planning and Cost Projections

Most SKPD had little reliable data for planning purposes, and poor records on service performance, output and productivity, or outcomes. This led to difficulties in establishing a proper budget ceiling for SKPD, and difficulties for citizens in tracking how much money had been spent in response to citizen proposals made at the *Musrenbang*.

There are no straightforward solutions to easily solve the complexity and political character of the problems confronted in implementing improved linkages between planning and budgeting. Nonetheless, an integrated effort by governments at all levels, starting with the central government that determines the enabling framework, is urgently needed. A key to overcome the problem is *simplicity* and *consistency*. The following measures should be envisaged to help improve the links between planning and budgeting.

Simplification of Central Government Fund Transfer System

This would allow local governments to achieve more effective regional development policy, planning, and implementation, and to achieve better consistency among long-term, medium-term, and annual planning, as well as between the annual plan and budget. This would contribute to a more conducive environment for effective citizen engagement in planning and budgeting.

Greater Integration and Simplification of National Regulations on Planning and Budgeting

Greater coordination between the relevant ministries and directorates in issuing directives and guidelines related to local planning and budgeting would reduce the confusion and difficulties that local governments face in trying to apply the various rules. Annual changes in directives on local budget use make it difficult for local governments to maintain consistency between planning and budgeting. The regulations on planning, budgeting, implementation, monitoring, evaluation, and performance reporting need to be synchronized.

Consistent Involvement of Citizens Groups to Bridge the Divide Between Planning and Budgeting Process

To strengthen the continuity of citizen involvement in the planning and budgeting processes, aimed at keeping government and council discussions focused on citizen priorities, LGSP supported local partners in the development of local regulations that clarify the roles of citizens and CSOs in the budget process, particularly through the creation of a *Musrenbang* delegation forum. The delegation consists of *Musrenbang* attendees who follow the budget development and approval process and then advocate for the inclusion of *Musrenbang* results in the budget. This group can ensure that decisions made in the *Musrenbang* are actually funded. Half of the regions assessed at the end of the project had established such a delegation; now the challenge is seeing its role maintained into the budget cycle.

Improve the Council's Involvement and Knowledge of Planning and Budgeting

LGSP worked to increase the council's involvement in the earlier stages of the *Musrenbang* process, and helped build commitment to carry through results. LGSP also worked on bringing local councils up to speed—more informed, more analytical, and more committed—to enhance their role in translating plans into budgets.

Strengthen the Establishment of Substantive Program Targets in the Formulation of Budgets

The plan-budget linkage is also approached from the budget stage of the cycle. In the budget formulation process, performance targets can be identified for substantive program achievements based on citizen priorities.

Sustainability: Development of Regulatory Framework and Institutional Resources

National Policy and Regulations on Local Planning

At the national level, LGSP established productive working relationships with MOHA's *Bangda* for developing decrees, regulations, and guidelines that significantly enhanced the capacity and competence of *Bangda* to guide and supervise provincial and district governments in Indonesia in planning document preparation, and to inform local governments on the approach, methodology, and process for preparing their medium-term and annual development plans and for implementing *Musrenbang*. Changes as a result of LGSP assistance included the following,

Enhanced capacity and competence of Bangda

The Directorate of Planning at *Bangda* noted that LGSP guidelines and materials had significantly assisted them to guide, nurture, and supervise provinces, districts, and cities in medium-term and annual development planning document preparation, review, and consultation. As a result, *Bangda* received more requests from provincial and local governments for advice and consultations on local planning issues. One LGSP publication that contributed to this change was a guideline on the assessment and evaluation of medium-term regional development plans.

More effective Bangda supervision and evaluation of Musrenbang quality at both provincial and local levels

The Directorate of Planning reported that the guideline developed in collaboration with LGSP on the assessment and evaluation of *Musrenbang* implementation was an improved tool for supervising and evaluating *Musrenbang* implementation at both provincial and local government levels.

Incorporation of good governance values in national regulations and guidelines on annual development planning

In collaboration with LGSP, *Bangda* issued a MOHA decree⁴ containing guidelines for annual development plan preparation. This decree incorporated a better strategic, performance-based, and participatory approach, as well as transparency, accountability, and good local planning and budgeting practices. The decree was later elevated into a MOHA Regulation⁵ for use by all provincial and local governments throughout Indonesia.

Improved awareness of the importance of establishing better links between annual plans and budgets

As a result of LGSP advocacy, *Bangda* identified the need for better coordination with the Regional Financial Management Administration (BAKD) and *Bappenas* to streamline and integrate policy and guidelines on the mechanism, process, and institutional aspects of local

planning and budgeting. With assistance from LGSP-recommended service providers, *Bangka* began preparing a draft MOHA regulation on regional development planning preparation, stages, procedure, monitoring, and performance evaluation in an effort to harmonize the links among planning and budgeting, their implementation, performance monitoring, and evaluation under the related regulations.⁶ LGSP was requested to assist with formulation of annual development plans. In addition, the LGSP-produced guidelines and modules on regional development plan preparation were used as the main reference for development of the MOHA modules.

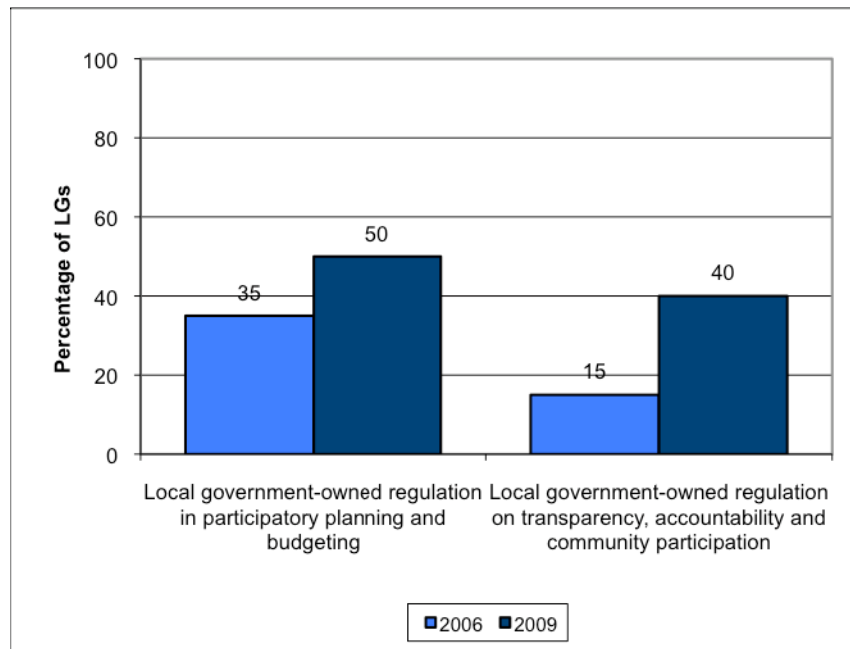
Local Planning Initiatives

At the local level there was significant development in local government adoption of good governance values of transparency, accountability, and participatory planning to guide and optimize community participation in the planning and budgeting process. This generated significant changes in the roles, contributions, and involvement of the local government, DPRD, and CSOs in the planning and budgeting decision-making processes, including the following:

Increased number of local regulations on participatory planning

As Figure 2.6 illustrates, local government and DPRD commitment toward implementation of good governance in planning and budgeting was demonstrated by the increased number of local regulations drafted and enacted on participatory planning and budgeting.

Figure 2.6. Percentage of partner jurisdictions that produced local regulations on participatory planning



LGSP facilitated the development of 49 local regulations on participatory planning and budgeting, transparency and accountability, and the establishment of transparency commissions. Among them were:

- A local regulation on transparency and participation in regional development in the city of Madiun to ensure community involvement in all stages of the planning and budgeting process
- A local regulation on participatory planning and budgeting in Pinrang that specified the role of the *Musrenbang* Delegation Forum in the budgeting process and the need to publicize discussions on budget formulation and review, and the need to disseminate the draft and final APBD on local television and radio
- Local regulations on participatory planning in Kebumen, Solok, and Boyolali that specified “entry points” for members of the community and CSOs to participate in the formulation, implementation, and monitoring and evaluation of public policy and programs related to planning, budgeting, and procurement.

Institutionalization of planning clinics and planning forum

In Central Java, most LGSP partner jurisdictions institutionalized planning clinics during annual development plan preparation to enable SKPD to make constant improvements in the quality of the sectoral planning documents.

- Planning clinic consultations were conducted in Boyolali, Klaten, and Sukoharjo to produce better-quality sectoral planning documents.
- Malang *Bappeda* established a Planners’ Forum (*Forum Perencana*) comprising all *Bappeda* and SKPD staff to enhance their responsibility for managing planning work.

Development of Service Provider Networks

With respect to service providers, LGSP trained over 800 persons to work as facilitators and helped to develop a pool of service providers with the capacity and competence to assist local governments, DPRD, and CSOs in the planning process, and with planning document preparation. Of these, by the end of the project, 194 facilitators were capable of working as consultants to assist local governments, DPRD, and CSOs with plan preparation. Networks of facilitators were established at Papua State University for West Papua; Hasanuddin University for South Sulawesi, Surabaya Institute of Technology and Brawijaya University for East Java, Universitas Sebelas Maret Surakarta (UNS) (in Solo) for Central Java, and West Sumatra Provincial Training Center (*Diklatprop*). To sustain their services to local governments on health sector development planning, service providers at the Faculty of Public Health, Diponegoro University, formed the Indonesian Health Care Planning Facilitators (*Fasilitator Kesehatan Indonesia*, web: <http://faskesin.wordpress.com>), with a pool of 700 dedicated health sector facilitators.

A number of LGSP service providers were asked by non-LGSP partner governments to provide advice and assistance in planning document preparation. They included UNS consultants, who

facilitated the Bali provincial government in its medium-term development plan preparation and were hired by *Bangda* to assist it in preparing a draft MOHA decree containing guidelines on regional development plan preparation, monitoring, and evaluation.

Tools and Methodologies

In response to progress in the regulatory framework and demand from local governments, LGSP developed a series of planning guidelines. These guidelines were used by *Bangda* to assist and facilitate provincial and local governments in planning document preparation and *Musrenbang* implementation, while local governments, DPRD, and CSOs used these tools to help them determine and perform their duties and responsibilities related to local planning and budgeting. For more details about these planning publications, please see Annex D.

In addition, LGSP worked with the university association of planning faculties and specific universities to adapt LGSP tools and methodologies into their course curricula. Specifically, UNS, an active LGSP partner in Central Java, incorporated LGSP guidelines and manuals into the syllabus and course modules for its urban and regional planning courses at the bachelor-degree level. UNS developed six course modules, covering participatory planning, research methodology, planning analysis methodology, planning law and administration, public policy analysis, and strategic planning for local government. This initiative was part of a UNS effort to develop and strengthen its capacity to sustain its planning and budgeting services to local governments. Around 150 students had successfully completed these courses by project end.

Lessons Learned and Recommendations

Lessons Learned

Policy and regulatory framework

The existence of consistent, integrated policy and regulations on local planning and budgeting is critical to the success of participatory planning and budgeting in local government. Better coordination of central government agencies, particularly between *Bangda* and BAKD at MOHA, in issuing integrated national guidelines on the local planning and budgeting process, mechanisms, and institutional reform will ensure greater compliance of local governments in linking the medium-term and annual programs and budgets, enhancing the effectiveness of planning in satisfying local community needs and aspirations.

Political commitment for participatory planning and integrated planning and budgeting

LGSP learned that political commitment from the top management in both local government and DPRD is critical to the success of participatory planning in local government. Frequent changes and turnover of key leaders and staff were found to significantly affect commitment and attitudes to participatory planning. LGSP assistance to build a consensus between local

government and DPRD on the annual planning and budgeting calendar, and to help local governments draft local participatory planning and budgeting regulations, helped to institutionalize good practices to bridge changes in leadership, but cannot replace committed leadership.

Local regulations on participatory planning and budgeting

Local regulations on participatory planning and budgeting can help in enhancing the ability of *Musrenbang* to influence the budget allocation process, through specifying the involvement of a *Musrenbang* Delegation Forum at all stages of budget preparation, formulation, approval, and legalization.

Citizen engagement in village and subdistrict-level planning processes

Given the challenges cited earlier in integrating planning and budgeting processes—the lack of which limits the translation of citizen input at the district level planning stage into district budget priorities—consideration should be given to putting greater priority on getting citizens’ voices heard effectively in village and subdistrict planning processes. Although this is not an area for which LGSP provided direct hands-on support, the project did train district-level facilitators who worked at this level. At the village and subdistrict levels, citizens can more easily track whether their priorities have been acted upon by government. For example, citizen input into the uses of the Village Fund Allocation has greater visibility and relevance for citizens than does the annual district planning process. *Musrenbang* held at these lower levels can focus on issues of immediate interest to citizens.

Citizen voice in medium-term planning

Longer-range issues can—and should—also be addressed most effectively if citizen input is solicited on multiyear plans that can be more priority-oriented than can annual plans. However, means need to be found to present socioeconomic data to citizens in a manner that has meaning for them; for example, showing local health or education indicators relative to other jurisdictions or describing tangible ways to improve education for their children.

Planning clinics

LGSP experience showed that *Bappeda* planning clinics can be an effective method for improving SKPD capacity and competence in both planning and budgeting. This method can have an impact on overall local government capacity, resulting not only in improved quality of planning documents and greater SKPD regulatory compliance in producing planning documents, but also in improved relationships among SKPD and between SKPD and *Bappeda*. The clinic can enhance *Bappeda*’s coordinating role, and provide *Bappeda* with an instrument for routinely monitoring and evaluating SKPD performance.

Capacity-building approach and instruments

Strategic, performance-based, and participatory approaches to planning require longer, concerted and integrated capacity building efforts. Local government staff reported that the LGSP guidelines and manuals, assistance, and facilitation significantly improved their capacity and competence to handle the planning document preparation process and outputs. The integrated technical assistance in planning and budgeting introduced by LGSP in later years seemed to facilitate faster comprehension by local government staff of performance-based planning and budgeting, and contributed to better linkage and consistency between planning and budgeting. The association of DPRD secretariats especially appreciated the LGSP guide to *Renja DPRD* preparation, which it said had significantly improved the quality of the document preparation process as well as the output of a number of DPRD in LGSP partner jurisdictions.

Good service providers can provide sustained service

Service providers played an important role in LGSP program achievements. The pool of service providers and facilitators established and closely linked to local universities had the capacity to make sustainable improvements and expand their services to local governments. Specialization of service providers as introduced in Central Java helped them to focus their assistance on specific planning documents (e.g., long-term, medium-term, or annual plans); comprehend the knowledge, skills, and facilitation approach faster; and produce better-quality services for local governments. Concerted capacity-building efforts are needed for local service providers in more remote areas such as West Papua due to limited availability of service providers with a local planning background, qualifications, and experience.

Recommendations

LGSP's participatory planning program significantly contributed to the institutionalization of participatory planning in target jurisdictions, with scope for expansion throughout Indonesia. To leverage its impact, the following recommendations are offered.

For central government

- Support integration and simplification of national regulations on planning and budgeting through greater coordination between ministries and directorates general in issuing directives and guidelines related to local planning and budgeting. This will reduce confusion and mitigate difficulties faced by local governments in implementing these directives. In addition, annual changes in the directives on budget utilization should be avoided in order to encourage consistency between planning and budgeting. Attention should be given to synchronizing the regulations on local planning and budgeting, including implementation, monitoring, evaluation, and performance reporting.
- Establish timely dissemination of information on central government fund transfers to enable local governments to more efficiently and effectively plan and allocate budget resources and more closely match community needs and aspirations.

For local governments

- Develop local regulations that remove the inconsistencies in planning and budgeting, provide greater transparency and accountability on local financial management, enhance citizen involvement in planning and budgeting decision-making processes, improve the effectiveness of *Musrenbang* in influencing budget resource allocations, institutionalize the *Musrenbang* Delegation Forum, and give greater priority to citizen inputs in subdistrict and village level *Musrenbang*.
- Improve socioeconomic, performance, and financial data for each mandatory government function and service so that SKPD can prepare better-quality plans and develop proper performance standards, outputs and outcomes, and unit costs for service activities. This would also enhance medium-term planning and priority-setting.
- Set aside sufficient local budget funds to hire competent facilitators for planning document preparation, to conduct planning clinic consultations, and to support continued improvement in SKPD capacity and competency in planning.
- Donors can assist both central and local governments in streamlining and integrating national regulations and guidelines on planning, budgeting, implementation, and monitoring and evaluation of local government performance.
- Donors also can help local governments, through both sector and overall governance programs, to improve both the consistency of their planning and budgeting regulatory framework and their analytical capacity to develop performance-based plans and budgets.

Endnotes to Chapter 2

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- ¹ These two laws laid a clear foundation for citizen participation in various aspects of the development process, including: clear specification of the need for citizen involvement in all stages of the development planning process; a citizen's right to provide oral or written input into the preparation, review, and approval process for local regulations; application of principles of accountability, transparency, and performance based on local financial management; mandatory involvement of the community in monitoring implementation of spatial planning; and the right of citizens to be involved in the public policy preparation, formulation, and implementation process.
 - ² This figure covers 2 local regulations and 1 decree on participatory local planning and budgeting, 8 draft local regulations on participatory local planning and budgeting, 9 draft local regulations on local governance transparency, and 29 local regulations (including in draft status) on RPJPD or RPJMD.
 - ³ MOHA Decree Number 050-187/Kep/Bangda/2007 on Guidelines for Monitoring and Evaluating Annual *Musrenbang*.
 - ⁴ MOHA Decree 050/200/II/Bangda/2008 on Guidelines for Annual Development Plan (RKPD) Preparation.
 - ⁵ MOHA Regulation 640/751/SJ on *Musrenbang* Implementation and 2010 RKPD Preparation.
 - ⁶ The relevant regulations are: Government Regulation 8/2008 (on planning), MOHA Regulation 59/2007 on guidelines for local financial management (on budgeting), Government Regulation GR 65/2005 on Minimum Service Standards, and MOHA Regulation 59/2007 (on implementation) and GR 6/2008 (on performance monitoring and evaluation).

