



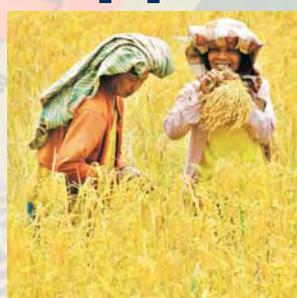
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LGSP
GOVERNMENT • COMMUNITY • CITIZENS
LOCAL GOVERNANCE SUPPORT PROGRAM



2007 Annual Report Local Governance Support Program



Local Governance Support Program
2007 Annual Report

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Cover :

Women of the city of Mojokerto, East Java, join a facilitator training initiated by the Indonesian Women's Political Caucus (KPPI), a nonpartisan caucus of women members of provincial and district legislative councils. These participants were trained to lead the village-level Musrenbang, after which they played a significant role in presenting those results at the subsequent district-wide Musrenbang. LGSP and the Mojokerto Development Planning Agency supported the training.

2007 Annual Report

LOCAL GOVERNANCE SUPPORT PROGRAM



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Prepared for USAID/Indonesia by
RTI International

In collaboration with:

International City/County Management Association

Computer Assisted Development Incorporated

Democracy International

Indonesia Media Law and Policy Center (IMLPC)

This annual report covers the period October 1, 2006 to December 30 2007. This report is submitted to the United States Agency for International Development under contract number 497-M-00-05-00017-00.

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Message from the Chief of Party

2007 was in many respects a transitional year for LGSP as we moved to increase the project's impact nationally. Instead of increasing the number of local governments with which we worked to reach a total of 100 local governments in 2007, as had been envisaged in the original project scope, it was agreed with USAID that LGSP would continue work with our current 60 partner governments, while channeling more project resources to work at the national level.

Essentially, our goal in 2007 has been to remain responsive to local priorities while supporting systematic and scaled-up efforts to **strengthen the enabling environment for effective decentralization**, including greater engagement with national partners—national government and multilateral efforts—in response to national priorities.

With this broader mandate for working to expand participatory, effective and accountable governance, LGSP's principal directions in 2007 were:

- to increase the supply of good governance: strengthening the core competencies of local government;
- to stimulate the demand for good governance: strengthening institutions of accountability; and
- to strengthen the enabling environment for good governance.

LGSP's achievements and challenges in these three areas during 2007 are described more fully in the chapters that follow. The report also highlights accomplishments in two regions designated by USAID as special programs, and concludes with a summary of program implementation progress. Additional information about our work, as well as electronic copies of LGSP publications, can be found on our website, www.lgsp.or.id.

The considerable achievements which are described in this report would not have been possible without the incredibly talented staff based in LGSP's eight regional offices and our national office in Jakarta, led by the outstanding senior management team. We have also valued the guidance provided by USAID. Above all, we thank our partners in local and national governments as well as those in citizens' organizations and local councils for their continued commitment to decentralized good governance in Indonesia.

Judith Edstrom

Chief of Party

Local Governance Support Program



LGSP Senior Management Team

Back row: **Edith Johnson**, Communications Advisor; **Peter Rooney**, Performance Monitoring Advisor; **Robert van der Hoff**, Local Government Management Systems Advisor; **Didiek Hadiprabowo** Regional Coordinator (RC) South Sulawesi; **Catherine Oenawihardja** Finance and Administration Manager; **Dina Limanto**, RC East Java; **Budi Rahardjo**, RC Central Java; **Rudi Triyana**, RC West Papua; **Ed Scott**, Regional Director Aceh; **Sambas**, West Java Liaison; **Ivan Nasution**, RC North Sumatra; **Mirza Hasan**, RC Aceh, **Widjono Ngoedijo**, Participatory Planning Advisor.

Front row: **Irianto**, Finance and Budgeting Advisor, **Yoen Nazar**, Training and Publications Advisor; **Judith Edstrom**, Chief of Party; **Hans Antlov**, Governance Advisor; **Geoffrey Swenson**, Field Operations Advisor.

(Not Pictured: **Zulkifli Kahar**, West Sumatra Liaison)

Section I

Mandate and scope

The United States Agency for International Development's Local Governance Support Program implemented by RTI International¹ directly supports “**expanding participatory, effective and accountable governance**,” as described in USAID's Strategic Objectives Grant Agreement (SOAG) with the Government of Indonesia dated July 11, 2005. Through the introduction of participatory processes, improved local government management and transparent and accountable local legislative practices, it is expected that Indonesians can fully experience the benefits of a democratic society. A well-managed decentralization process is essential to creating opportunities to bring government closer to the people, improve public services and reduce corruption.

The Local Governance Support Program (LGSP) is an integrated set of assistance activities designed to support both sides of the good governance equation. First, it supports local governments to become more democratic, more competent at the core task of governance and more capable of supporting improved service delivery and management of resources. Second, it aims to strengthen the capacity of local legislatures and civil society to perform their legitimate roles of legislative representation and oversight, and citizen participation in the decision-making process.

LGSP provides assistance, through advisory services, training, tools, and publications to support:

- Enhancing **strategic and participatory planning** to facilitate citizen input to local government resource allocation decisions;
- Improving the **finance, budgeting and accounting** function of local governments;



- Strengthening **management systems for service delivery**;
- Improving the capacity and performance of **local legislative councils** (DPRD) to perform their representative and oversight functions;
- Strengthening the capacity of **civil society and the media** to reflect the priority needs of citizens vis-à-vis local administrations and legislatures; and
- Contributing to cross-cutting activities to enhance good governance in the areas of **performance assessment** and **participatory approaches**.

LGSP's assistance over the period 2005–2009 is based on priorities established in more than 60 target local district governments in which it works in nine provinces: Aceh, North Sumatra, West Sumatra, Banten and West Java, Central Java, East Java, South Sulawesi and—newly added in 2007—West Papua.



Aceh Besar district officials and council members discuss the district's annual budget.

¹ RTI International is the trademark of Research Triangle Institute.

Key achievements in 2007

2007 saw considerable progress in realizing LGSP project objectives. Some of the notable achievements include the following:

- Over 28,000 individuals benefited from trainings, workshops, direct technical assistance and facilitation in 2007.²
- Of those trained, just over 25 per cent were women, a relatively high figure given the low proportion of women engaged in government and civil society organizations.
- 289 individual planning events were held in 2007, compared to 138 in 2006. This nearly doubled the number of stakeholders, both citizens and government officials, involved in the planning process: 12,348 in 2007, compared to 6,215 in 2006.
- Over 50 per cent of LGSP partner governments prepared a budget calendar in 2007, compared to just over 10 per cent in 2006. In addition, over 60 per cent of assisted governments adopted a performance-based budget, up from less than 30 per cent in 2006.
- In conjunction with service improvement action plans being developed in 57 LGSP partner districts, 12 local governments have sought to institutionalize improvements through local legislation: six decrees or regulations were passed in 2007, while six more are pending, in various states of final review.
- 37 out of 57 DPRD reported that they have organized public hearings or town-hall meetings on budgets and development plans in 2007, a gain of almost 50 percent from 2006, when 25 DPRD reported such hearings and consultations.
- A total of 151 citizen groups in 57 LGSP partner districts were supported by LGSP to report on public service delivery performance or develop budget advocacy and government monitoring

plans, an almost three-fold increase over 2006 (55 groups).

- Government contributions in cash and in kind to LGSP regional work plan activities are estimated to total 51 per cent.

The following chapters provide more context and amplification of LGSP's achievements and challenges during 2007.



Workshop participants evaluate one-stop service points in Takalar district.

² "Individuals trained" is defined as individual training encounters and includes some individuals who benefited from successive training sessions in order to acquire progressive deepening of skills.

Section 2

Stimulating the supply of good governance: Strengthening the core competencies of local government

LGSP is based on a vision of good governance and sound planning, service delivery management and financial management that uses strategic and participatory planning and performance budgeting to facilitate citizen input into local government resource allocation decisions and programming.

While the ongoing process of decentralization presents many opportunities for the development of improved governance and service delivery, it also creates a number of challenges. Local governments have limited institutional and human resource capacity. Even with the best of intentions, they are obliged to cope with myriad, oft-changing, and frequently contradictory regulations from the central government.

Unfortunately, not all governments are equally committed to improved service provision for their citizens.

LGSP can help reform-minded officials and government agencies to respond to some of these challenges through the provision of technical assistance and training necessary to navigate regulations, develop clear work plans and budgets and undertake action planning to improve service delivery.

Participatory planning

The overall goal of LGSP's assistance in participatory planning is to engage communities in planning processes to produce results that meet stakeholder's expectations, reflect community priorities and ultimately produce better plans, budgets and effective management by both the executive and the legislative arms of local government. In 2007, LGSP focused on improving the integration between medium-term planning and annual performance budgeting and improving the quality and effectiveness of the



participatory process to improve the quality and effectiveness of the resulting plans.

Supporting effective planning processes

LGSP supports effective planning processes by building capacity in both executive and legislative bodies to develop quality, timely plans and to assist the different branches to coordinate their planning mechanisms and processes. Medium-term plans are closely linked to the political process, since they follow the five-year term of elected mayors. LGSP supports the opening of this process to the public, as well as the development of performance indicators for the plans. These indicators make it easier to develop both performance-based annual plans and sectoral plans. Performance-based plans, in turn, allow for more effective internal monitoring as well as oversight by local legislative councils, since progress and gaps are more easily identifiable. In addition, they allow for more timely oversight which can be incorporated into the planning process from the beginning, rather than becoming an obstacle after plans and budgets have already been formulated.

The first step in improving the quality and responsiveness of local plans is developing a clear approach to the planning process. In 2007, LGSP developed project guidelines to assist local governments undertake the long-term, medium-term, and annual planning processes as well as the planning process within local government sectoral departments. LGSP worked with local governments through trainings and small group discussions to apply the guidelines in their particular planning processes. The guidelines, developed and finalized with stakeholder participation during 2007, aim to:

Indonesian municipal leaders applaud citizen participation, transparency in U.S. local governments



Indonesian local government officials and LGSP advisors Geoff Swenson (center) and Irianto (right) visit Upper St. Clair township.

For elected and executive branch officials in local governments in Indonesia, decentralization and democratization changes since 1999 have required absorbing much new information and making big changes in the way they serve the residents of their communities. That could be seen clearly in the experiences of six elected local government leaders—5 mayors/district heads and one deputy mayor—identified by LGSP, who traveled to Pennsylvania in October 2007 to visit five small communities and to attend the International City and County Management Association’s (ICMA) Annual Conference in Pittsburgh.

The five Pennsylvania municipalities hosting the Indonesians were the borough of Sewickley and the townships of Cranberry, Upper St. Clair, Mt. Lebanon and North Huntingdon. LGSP and ICMA organized the study tour with financial support from the USAID-financed Human and Institutional Capacity Development (HICD).

While the Indonesian officials noticed many differences between local governments in their country and those in the U.S., one of the most striking was the greater level of citizen participation in the U.S. For example, one of the study tour events that most impressed Ichsan Yasin Limpo, the district head of Gowa in South Sulawesi province, was a community meeting where a number of citizens each had up to three minutes to directly present their opinions to municipal officials. Governments in Indonesia should do more of that kind of thing, according to Limpo. When governments become more open, he believes, that strengthens the position of government officials and builds support from citizens. Limpo hopes to test out these ideas in a pilot project in his district, at the village or subdistrict level, by having people get more directly involved in the planning and development process.

- Provide members of the executive, the legislature, and civil society organizations with a better understanding of the local planning process;
- Integrate the bottom-up planning process, called Musrenbang, into the planning process (per Law 25/2004);
- Provide examples of good practices in statutory planning preparation;
- Clarify the roles and jurisdictions of various actors in the local planning and decision-making process (executive, legislative, CSO and media); and
- Provide a performance-based framework for consistency and integration between long-term, medium-term and annual plans.

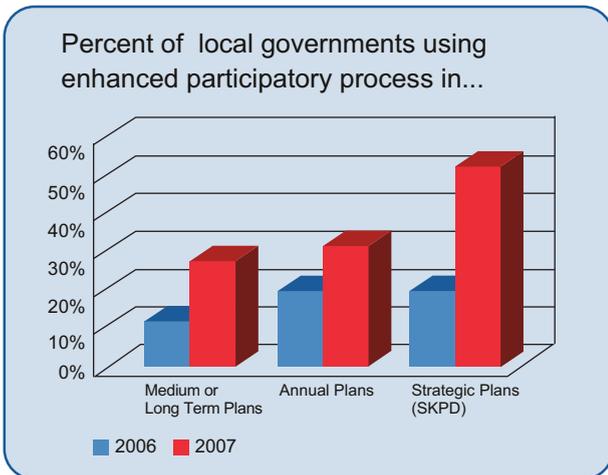
In addition, draft guidelines were developed and tested to help the local councils (DPRD) with the development of their annual work plans and budgets. These guidelines have helped DPRDs to build upon their oversight functions and public consultations to develop plans that are responsive to local needs. They assisted DPRDs and the executive to find ways to more effectively harmonize their planning and budgeting processes so that they are not working at cross purposes.

Strengthening participation in planning processes

In addition to making the planning process more effective, LGSP seeks to ensure that it includes more stakeholders, be they citizens in public consultations, or civil servants in smaller working groups developing

initial drafts or coordinating with other departments. An enhanced participatory process includes increased participation as well as mechanisms such as clear procedures and facilitation to help citizens' voices to be heard at the meetings that they attend. As illustrated in Figure 1, there were significant increases in the percent of LGSP partner governments that used enhanced participatory processes in 2007. The scope of those changes is significant in terms of citizen engagement and work within and between government departments.

Figure 1. Local government implementation of participatory planning processes in LGSP partner districts



Interestingly, the most dramatic increase in the use of enhanced participatory processes comes from local sectoral departments. Compared to the government planning bodies responsible for developing medium-term and annual plans, sectoral departments often have not received information about regulations regarding participation, or any assistance in understanding how to implement a participatory process. LGSP has filled an important

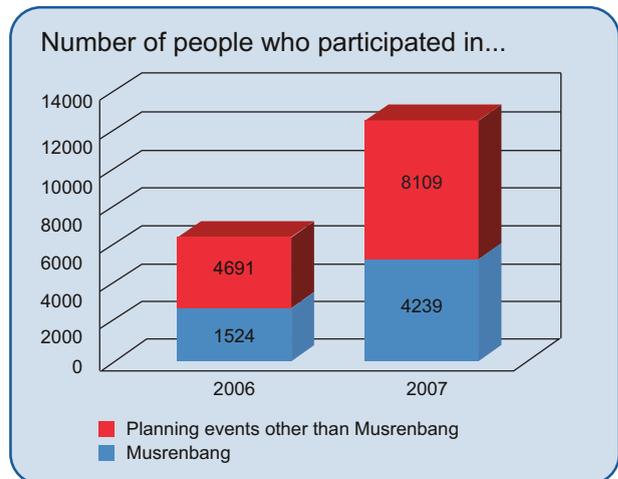


Musrenbang participants in Probolinggo.

gap by helping them to both understand the regulations on participatory planning and know how to respond.

There was also a significant increase in the number of planning events—public consultations or working meetings—conducted by partner jurisdictions: 289 individual events were held in 2007, compared to 138 in 2006. This nearly doubled the number of stakeholders, both citizens and government officials, involved in the planning process: 12,348 in 2007, compared to 6,215 in 2006, as shown in Figure 2. These increases signal a significant shift in many local governments' commitment to improved planning processes in terms of both allocation of their own staff time and resources and as well as increased public participation in planning processes.

Figure 2. Participation in planning processes in LGSP partner districts*



* If an individual participated in more than one event, he or she may be counted more than once.

Among the various planning processes, the primary vehicle for public consultation and citizen involvement is the process used in the development of annual plans. In the decades leading up to decentralization, public consultations were conducted in various forms in Indonesia, but these consultations were often largely ceremonial and ritualized in their approach and rarely resulted in the allocation of funds to respond to village needs voiced during the process. Citizen engagement in the Musrenbang process is critical to ensure that community needs and priorities are reflected in annual planning, but has declined in recent years due to disillusionment in the process. However, LGSP is working to bring citizens back into

CSO members and sectoral agency officials work together to develop five-year plans in education and health



LGSP has assisted local government sectoral agencies to bring citizen participation into their planning processes in a number of ways. In March 2007, Boyolali CSO representatives and sectoral agency officials analyzed recommendations for agency budget allocations drawn

from subdistrict multistakeholder planning forums. Results from the collaboration included recommendations for better budget allocation in priority areas, and the development of an action plan to ensure that CSOs and sectoral department officials continue to work together through the budgeting process, especially in the priority area of health service delivery. In April, Sukabumi's education department held its first public consultation on its five-year strategy. The department head stressed the importance of disseminating public documents to ensure more transparency and public accountability. Nearly 70 local stakeholders attended the consultation and recommended the following: further institutionalization of broad-based participation in the planning process, the need for more accurate data on education to measure progress and improved coordination with related agencies.

Musrenbang. As Figure 2 shows, while the number of people (consisting of citizens and government officials) participating in non-Musrenbang events rose an admirable 72 per cent from 2006 to 2007, the number of people—primarily citizens—involved in the Musrenbang process nearly trebled during the same period from just over 1,500 to more than 4,200 persons.

It is not only the number of citizens who join Musrenbang, but also the quality of the process that helps citizens' voices to be heard. Facilitators play an important role in organizing, facilitating and guiding discussions in Musrenbang that allow citizen input to be heard, consensus developed, and agreements reached that will produce more effective outcomes. In 2007, LGSP trained 605 Musrenbang facilitators and provided direct assistance to the Musrenbang process in 27 locations, 40 per cent more than the 19 locations supported in 2006.

Sound financial management and budget planning

LGSP has two main goals in the area of finance and budgeting: to strengthen local government capacity in financial management and to improve the development of performance-based budgets that meet community needs. Due to the significant changes required by Permendagri 13/2006 and PP 24/2005³ and



The district government of Probolinggo publishes its annual budget in the regional daily *Radar Bromo*.

significant human resource constraints in implementing the regulations, LGSP's 2007 program continued to focus on basic training in financial management. In addition, LGSP worked to increase

³ Permendagri 13/2006 introduced new performance based budgeting standards, addressing five primary areas of local government budgetary and financial management: planning and budgeting, revenues, budget execution, accounting and reporting, and budget administration. The most significant impact of Permendagri 13/2006 is that it devolves these responsibilities from specialized units in the local government to the budget units. Permendagri 59/2007 provides minor revisions to Permendagri 13/2006.

PP 24/2005 introduced new government accounting standards, and represents a significant effort to create transparency and accountability in the management of state finances. In particular, PP 24/2005 requires local governments to move from cash basis to accrual accounting, in line with international accounting standards. It shows a local government's true financial position and improves the quality of financial statements.

the capacity of citizen stakeholders to effectively engage as government partners encouraging transparency and accountability.

In 2007, LGSP continued to work to develop the capacity of local governments in accounting and revenue management. The program produced training modules on internal audit, revenue management, accounting and financial management for sectoral departments, basic asset management and legislative budget oversight. Pre- and post-tests at training sessions show that understanding of the content of training materials increased from 42 to 82 per cent among participants.

While training modules have been developed on more advanced concepts of asset management and internal audit that will be carried forward in 2008, human resource constraints meant that the primary focus of capacity building in 2007 remained on the basics of double-entry bookkeeping as required by government regulation (PP 24/2005) and key elements of performance-based budgeting. To ensure that knowledge transfer is effective, LGSP requires that participants complete certain deliverables, such as the formulation of a performance-based budget, the implementation of a new accounting process, or the issuance of an executive decree governing a specific aspect of financial management before they can

progress to the next workshop in the series. The completion of these deliverables is presented in Table 1.

As a result of this approach, 68 per cent of partner jurisdictions have adopted required government accounting practices, and 61 per cent have generated financial reports based on the government accounting system. In addition, a number of local governments have issued executive orders necessary to govern the new accounting process.

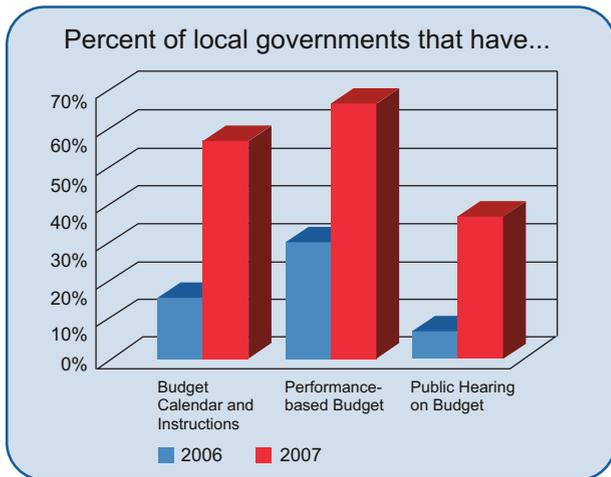
LGSP also helps local governments to develop a clear budget calendar and work plans as well as to strengthen performance indicators in their budget formulation. Budget calendars and work plans are important for the timely adoption of budgets. If they are late, the local government cannot fund any projects outside of its routine expenditures, such as the salaries of public servants. This greatly disrupts public service delivery. Clear performance indicators are critical in understanding budget effectiveness in terms of public service delivery. As Figure 3 shows, there were significant increases in the percentage of local governments that developed budget calendars and instructions, as well as in the percentage that moved from the traditional budget to a performance-based budget. An indication of increasing commitment to transparency in the budgeting process, there was

Table 1. Finance and budget achievements in LGSP partner districts

Output	Number of local governments
Budget calendar published and signed by the district head and local council (DPRD)	20
Budget policy and general direction, agreed upon by executive and legislative (KUA PPAS)	22
Local regulation governing main principles of local financial management (P3KD)	29
Decree on local financial management administration	17
Decree on accounting policy, mechanism and procedures	21
Revision of regulation on local tax and fees	1
Establishment of local finance institution (BKPD)	4
Passage of local regulation on asset management	1

also a significant increase in the percentage of local governments that held a public hearing as part of the budgeting process.

Figure 3. Budget formulation in LGSP partner districts



Improved management systems for public service delivery

Increased local government and citizen cooperation and collaboration on public service improvements offer important opportunities to strengthen management and democratic principles through the development of improved public service delivery. LGSP continued to assist local governments and civil society partners to establish and sustain working partnerships through service improvement action plans (SIAPs) that support specific improvements in existing public services or address gaps in public service delivery.

SIAPs are designed to improve the delivery of a particular public service, and create more awareness about public service management in general. The action plans are normally short-term (from one month up to one year) and designed to improve performance of an existing service based on existing programs

Lebak stakeholders address survey results on local procurement process



CSO leaders and local officials share the podium during the procurement review.

Improvements in local public service management can be assessed in part by looking at transparency and accountability in procurement. In August 2007, the Transparency and Participation Commission (KTP), a CSO based in Lebak, presented survey results on Lebak local government's procurement process at a workshop supported by LGSP as part of a service improvement action plan (SIAP). Fifty participants from government offices, the community, a local entrepreneurs association,

academics, professional associations and the media attended. KTP's survey focused on two departments: health and social welfare and education. In its research, KTP not only reviewed procurement compliance with existing regulation (Presidential Decree No. 80/2003) but also assessed the quality of specification of goods and services and bidders' performance. KTP gathered data from various bids, interviewed key sources from local government offices and bidders, and conducted a focus group discussion to formulate recommendations for future improvement. KTP concluded that the district government still needs to improve its procurement process. Government should also carefully administer procedures to ensure that bidding companies demonstrate their good performance, as regulations require.

Commenting on these findings, local officials expressed their clear understanding of KTP's independent role and expressed their openness to the survey findings. Participants urged Lebak officials to respond to the recommendations of the survey.

and budgets. In some cases, however, they are used to produce a new output (such as a local regulation like the one on education in Parepare, South Sulawesi) or even a new service (such as the Local Financial and Asset Management Body in Aceh Barat).

SIAPs complement, not supplant, existing local government statutory plans, and are usually financed through the annual local budget. Each SIAP is prepared by a multi-stakeholder group from local government and civil society representatives who have a stake in solving a service shortage or bottleneck, to be implemented by the local government unit that is responsible for delivery of the service. The SIAP includes a list of activities to be completed, a time frame, a budget and people responsible for its completion.

At the inception of LGSP, stakeholders had the choice to focus their activities in the areas of health, education, economic growth, environmental management. Some locations have used those topics

as a base for broader organizational reform. Economic development was the most popular choice (32 per cent of all SIAPs), but has proven quite difficult to implement due to the cross-sectoral nature of management issues in improving these services. While some activities perform well, others prove difficult to launch. The implementation of health and education SIAPs has generally been more successful, since there is a clear sectoral focus and stakeholder goals are more homogeneous.

Table 2 summarizes top-performing SIAP activities. In addition, it shows the variation in the SIAP activities, all of which are closely linked to local needs and priorities.

In several locations, a focus on improved service delivery has resulted in local decrees or regulations. In all, six decrees or regulations to support improved service delivery were issued in 2007, and a further six were drafted with LGSP assistance and are pending final approval.

USAID-LGSP assists local government to implement minimum service standards

The current national health insurance system does not provide sufficient coverage for the poor, with the result that several local governments want to add a pro-poor health scheme. In the district of Padang Pariaman, West Sumatra, LGSP worked with local government officials, health sector specialists and civil society organizations on an initiative to implement a health insurance program called *Jaminan Pembiayaan Kesehatan Masyarakat*, or JPKM.

During a two-day workshop, "Financing Health Services for Citizens," LGSP assisted local government officials in Padang Pariaman to develop the correct procedures and policies to implement the JPKM and meet the minimum service standards for providing coverage for the poorest members of their district. Based on the workshop discussions, participants agreed that the insurance premiums for the poor will be paid from the local budget, and the local government of Padang Pariaman committed to developing a special budget for the JPKM to ensure coverage in the future. Participants also planned additional activities to help achieve the minimum service standards and to increase awareness and understanding of the JPKM among legislators, media, and other stakeholders.

Table 2. Top-Performing Service Improvement Action Plans

Jurisdiction	Accomplishments and Prospects
Kab. Sukabumi, West Java	Education - To meet national standards for enrollment, the local education agency has made special efforts to increase primary education enrollment in isolated areas by intensifying outreach. With the help of NGOs, it has also been able to get significantly more children with disabilities to attend school.
Kota Kediri, East Java, and Kota Parepare, South Sulawesi	Education - In 2007, both municipal governments issued a local regulation on education management drafted by a multi-stakeholder group, and are now drafting a series of implementing guidelines.
Kab. Boyolali and Kab. Sukoharjo Central Java	Health - The local health agency started a program promoting clean and healthy behavior and lifestyle at household level. A Citizen Charter was created to commit the health agency to deliver agreed health promotion services. Buoyed by strong support, the health agency in Boyolali has recently set up a new department in the health agency to continue providing health promotion services.
Kota Madiun, East Java	Health - To improve management of its sub-district health clinics, the municipal health agency set up a computerized customer database in one sub-district as a pilot. Based on successful staff training and service trials, a local decision was issued to set up the system in all other sub-districts in Kota Madiun.
Kota Tasikmalaya, West Java	Economic growth - A group of local stakeholders undertook to establish a revolving fund for small and medium enterprises including a second-tier credit management system. Despite the need for lengthy and careful institutional preparation, commitment is high, and the scheme is expected to launch in the second half of 2008 without further LGSP assistance.
Kab. Probolinggo, East Java	Economic growth - The provincial government of East Java has begun financing an “agropolitan area development program” in Probolinggo to support its recently created local economic development forum and economic cluster development initiative.
Kab. Aceh Barat, Nanggroe Aceh Darussalam	Organization - A public information center on housing and reconstruction was set up by a multi-stakeholder group to help solve the problems of local post-tsunami refugees. Now, the center will become part of regular local government functions, and will expand to manage information on local development. Other target jurisdictions in Aceh are preparing to replicate the practice.
Kab. Lebak, Banten	Organization - To safeguard accountable management of public funds, a local Commission on Transparency and Participation has been set up by local government regulation, focusing primarily on health and education. It has received broad recognition for its performance as a public oversight body, as well as from local governments in other provinces, and is expected to become firmly established.
Kab. Pinrang, South Sulawesi	Organization - To reduce travel time for customers of local public services from isolated areas, and reduce time to resolve complaints, a complaints desk was set up in one sub-district as a pilot. A year later, a mayoral decision was issued to replicate this service point in all other sub-districts.
Kota Depok, West Java	Environment - To safeguard the diminishing number of natural water reservoirs, concerned citizens established a ‘green and clean’ economic zone around a lake to protect it from further encroachment. Municipal and provincial government responded in kind by providing funds for additional protection measures and promotion of urban agriculture to conserve the more than two dozen water reservoirs in the city without further LGSP assistance in 2008.

LGSP partner jurisdictions are called kabupaten, meaning district, or kota, meaning city. Kabupaten is abbreviated Kab.

Section 3

Stimulating demand for good governance: Strengthening institutions of accountability

LGSP has two key goals in stimulating demand for good governance:

- Improving the capacity and performance of **local legislative councils** (DPRD) to perform their oversight function, represent citizen's interests, and develop sound policies and legislation; and
- Strengthening the capacity of **civil society and the media** to reflect the priority needs of citizens vis-à-vis local administrations and legislative councils.

While both legislative councils and civil society organizations (CSOs) are adapting to their new roles under decentralization, many challenges remain. The executive and legislative branches of government often regard CSOs with suspicion. Democracy activists, on the other hand, wish to see much stronger and stringent push for anti-corruption and pro-poor budget allocations from the government. In 2007, LGSP focused on bringing stakeholders together to develop working relationships and build trust through the process of addressing common issues.

Strengthening legislative councils' functions and processes

The objective of LGSP's legislative program is to strengthen the legislative function and process at the local level by assisting members of DPRD to become more effective, participatory and transparent in their basic operations and relations with the public. In particular, LGSP supports the capacity of DPRD members to inform and solicit citizen input on key local governance and resource allocation decisions, to formulate local policies supportive of transparent and participatory local government, and to exercise oversight over the performance of local government agencies.



During 2007, LGSP continued the basic capacity-building program of DPRDs in their core functions of lawmaking, budgeting, and government oversight. During the year, LGSP supported the operations of 20 DPRDs in developing DPRD work plans and regional legislation plans, as well as providing assistance to the DPRD permanent secretariat to assist in the day-to-day management of DPRDs. Importantly, LGSP also organized budget hearings and other forms of public consultations for DPRD members, as well as encouraged the active participation of legislators in Musrenbang meetings in their jurisdictions. Over 65 per cent of DPRDs in LGSP partner districts reported that they held public hearings or town hall meetings in 2007.

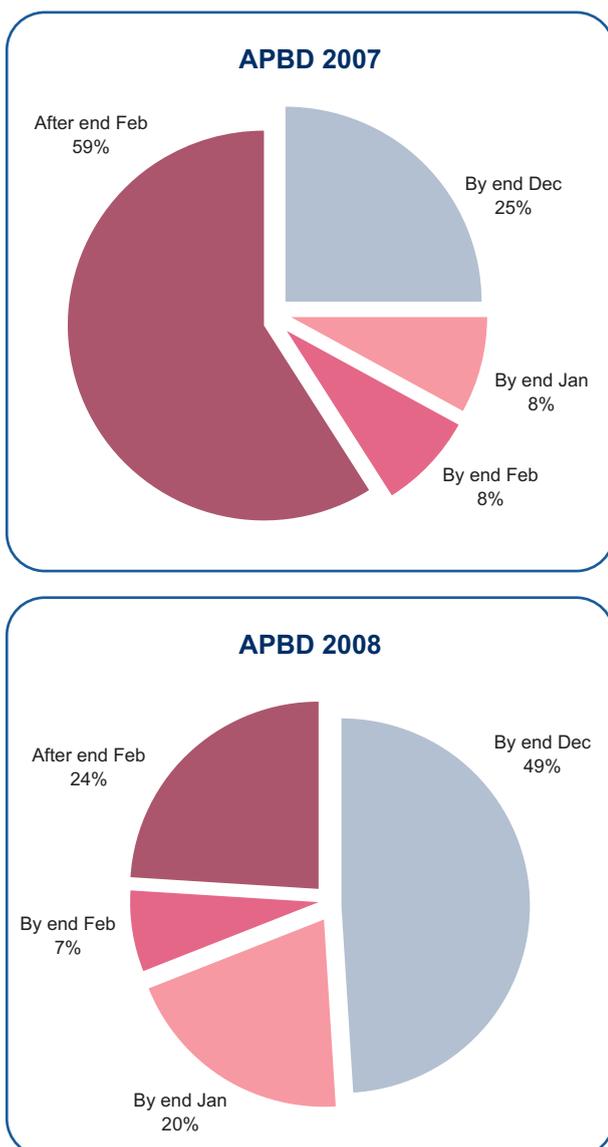


Workshop on improving health services in Sukoharjo.

LGSP efforts have led to two immediate results. First, the ability of DPRD members to manage their functions has improved. This includes the technical capacity of DPRDs to analyze budgets, allocate funds and oversee public expenditures, as well as to draft regulations on public service delivery, supported by LGSP through the SIAP task forces. While dependent on timely development of the budget by the executive branch, more effective work by DPRDs in the budget process contributes to budgets being passed on time. As Figure 4 shows, nearly half of the 57 LGSP partner

governments passed their 2008 budgets before the end of 2007 the time by which they are supposed to be approved, and nearly 70 per cent passed them by the end of January 2008. In contrast, only a quarter of 2007 local budgets were approved by end of December 2006 and nearly 60 per cent had not been approved by the end of February 2007. The achievements in 2007 to pass the 2008 budgets in a timely manner represent a significant accomplishment on the part of both the executive and legislative branches of local governments and demonstrates the value of LGSP's integrated approach across technical teams and branches of government.

Figure 4: Approval of local budget (APBD) in LGSP partner governments



Second, a key change and achievement is the increased willingness of DPRD members to provide access to citizens and civil society organizations in its policymaking, be it budgeting or lawmaking. The percentage of DPRD in LGSP partner jurisdictions that use such mechanisms as public hearings or town halls to solicit public input on a regular basis has increased dramatically, from 25 per cent in 2006 to 68 per cent in 2007. As a result of their participation in Musrenbang consultations, their organization of budget hearings and their roles in SIAP public service task forces, DPRD are building bridges and developing trust with citizens and the executive branch of government. The number of citizens attending a public hearing with DPRD members for the first time indicates that citizens' access to information about the operations and policies of DPRD has improved. In addition, improvements in legal drafting skills of DPRD members—coupled with the organization of public hearings on draft bills—have resulted in regulations that are better formulated, more responsive to local needs and easier to implement by the executive.

To institutionalize these achievements, eight DPRD, representing districts in six of the nine provinces where LGSP works, passed local regulations to promote citizen participation during 2007. Several more have developed internal standing orders for the same purpose. For example, in the district of Enrekang in South Sulawesi, the DPRD has constituted a formal working group of DPRD members and civil society activists for the drafting of a new local regulation on citizen participation. The district of Boyolali in Central Java passed an internal Standing Order in 2006 requiring all draft regulations to be prepared with both public hearings and a compulsory White Paper.

There are two main challenges for LGSP's legislative strengthening program. The first is the sustainability of achievements in the face of potentially high levels of turnover following national elections in 2009. (In 2004, two thirds of members were replaced.) LGSP is addressing this issue in two ways. First, it is working to ensure that new practices are institutionalized through legislation and properly understood by the permanent secretariat of the DPRD. Second, LGSP is supporting the capacity of civil society organizations and pressure groups to retain the institutional memory

Madiun's DPRD holds public consultations, establishes a joint forum with CSOs

In October 2007, the DPRD for the city of Madiun in East Java, with assistance from LGSP, organized its first ever public consultation with a local coalition of key civil society organizations for the preparation of its 2008 work plan. The 2008 work plan includes plans for the DPRD to initiate a draft regulation on transparency and participation for the district. As a result of the consultation the DPRD and civil society organizations established a Partnership Forum in order to encourage further collaboration.

The October 2007 consultation was the culmination of this process of reaching out to different stakeholders. In 2006, the DPRD passed an internal standing order that obligates them to hold public hearings for important policy decisions. In March 2007, they organized a two-day workshop to develop their 2008 work plan, in which the mayor participated in full for the first time.

of expectations of their local council members and to constructively encourage new legislators to reform and open their doors.

The second challenge is continued resistance to change and the sense of entitlement on the part of some DPRD members. Not all DPRD members are reform-minded, and not all have allowed LGSP to provide training in transparency and anti-corruption. In jurisdictions where DPRD members have shown little interest in good governance, LGSP has focused on enhanced collaboration between the executive branch and CSOs. Interestingly, in some of those districts, DPRD members who have observed this cooperation have come around to seeing the advantages of being part of the dialogue.

Engaging citizens and media in local governance policies and public service advocacy

LGSP assistance in the civil society field is designed to strengthen the ability of citizen groups to advocate for service improvements and performance monitoring as well as to directly participate in local planning, budgeting and public policy decision-making. The objective of the media strengthening program, which was completed in May 2007, was the improved use of local media as a responsible channel of information between local governments and citizens.

Civil society strengthening

During 2005 and 2006, LGSP supported the basic capacities of key civil society organizations in the fields of development planning, government budgeting and public service delivery. In the field of participatory planning, LGSP continued in 2007 to provide more advanced training, providing, for instance, over 750 participants from the civil society community with additional training on how to facilitate planning events. Perhaps more importantly, LGSP also worked to provide opportunities for citizens to provide meaningful input into the public policy process. LGSP helped to organize 150 governance events including budget hearings, public consultations and town-hall meetings which allowed citizens and CSOs to provide policy inputs. Over 150 CSOs worked on analyzing local budgets and submitted their findings to their local government, more than double the number that did so in 2006.

LGSP also supported the engagement of CSOs in improved implementation of public services (generally through the SIAPs mentioned in section 2) and in public service monitoring. Building on the general budget analysis and budget advocacy skills discussed above, citizens have more effectively engaged in planning and budgeting public services such as education and health, and in some cases successfully argued for increased budget allocations. In several regions in Central Java (Karanganyar, Sukoharjo,

Kudus, Jepara and Pacitan) and in West Java (Sukabumi), CSO engagement has resulted in memoranda of understanding between citizen groups, government officials and DPRD members to increase the budget allocation for basic public services.

Going forward, key development challenges for CSOs include their ability to understand and effectively voice the priority needs of the general public and their capacity to exercise their oversight function in the delivery of public services. During 2007, LGSP field-tested one method of oversight, the Citizen Report Card (CRC). The CRC is an internationally recognized tool for providing feedback to governments on service delivery through user surveys. The concrete information collected in the CRC is a useful starting point for citizen–government dialogue and action to improve services. It can also be a helpful advocacy tool for increasing budget allocations. In 2007, LGSP assisted in the implementation of three CRCs, which have been welcomed by citizens and local governments alike as an innovative entry-point to improve public services. For example, the local government in Padang Panjang committed to fund

this activity after the closing of LGSP’s West Sumatra office.

Media strengthening

LGSP’s media strengthening program sought to build the capacity of local media, including government and community media, to critically carry out functions of effective and accurate reporting on the core governance issues of transparency and accountability. LGSP introduced and supported many best practices



Klaten’s CSO and media representatives ask for improvements in public services for small and medium enterprises



During a November 2007 workshop, representatives from CSOs and the media in Klaten asked the district government to play a more active role in supporting small and medium enterprises (SMEs). They wanted the local government to issue specific regulations regarding public services for SMEs that would increase the allocation for SME support in the budget

To develop the local economy, Klaten’s district government has established an independent body, the Local Economic Actors Cooperation Board, or BKPED. In the workshop, also attended by BKPED representatives, Klaten’s citizen groups praised the formation of this institution. Nonetheless, they

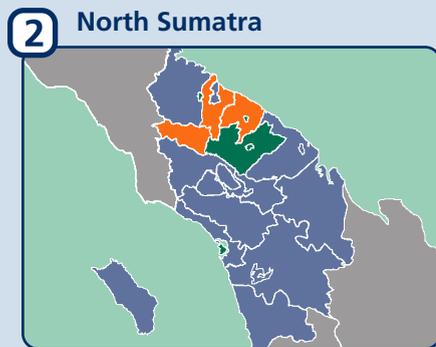
also pointed out the weakness of public services for SMEs in Klaten.

At the end of the workshop, participants formulated a short-term agenda to improve public services for SMEs in their district. Klaten’s 2008 budget includes a new allocation of 145 million rupiah to fund the BKPED operation, which supplements existing sectoral allocations of 3.8 billion rupiah for loan fund capitalization, investment promotion and marketing, and capacity-building of potential SME loan recipients.

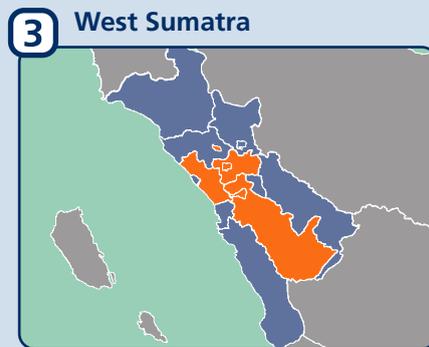
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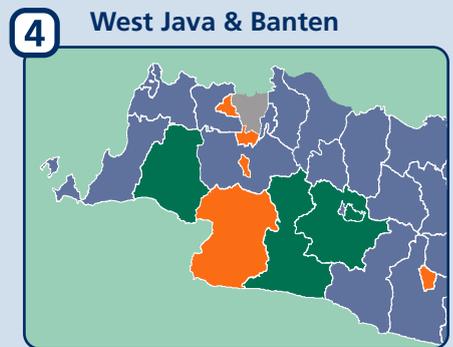
- Round 1
- Aceh Barat
- Aceh Besar
- Aceh Jaya
- Kota Banda Aceh
- Nagan Raya
- SPADA
- Pidie Jaya
- Aceh Utara
- Aceh Timur
- Tamiang
- Pidie
- Bireun



- Round 1
- Deli Serdang
- Karo
- Serdang Bedagai
- Round 2
- Kota Binjai
- Kota Pematang Siantar
- Kota Sibolga
- Simalungun
- Kota Tebing Tinggi

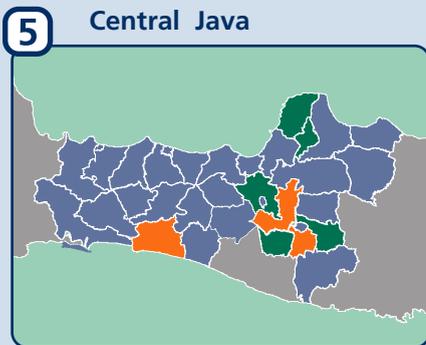
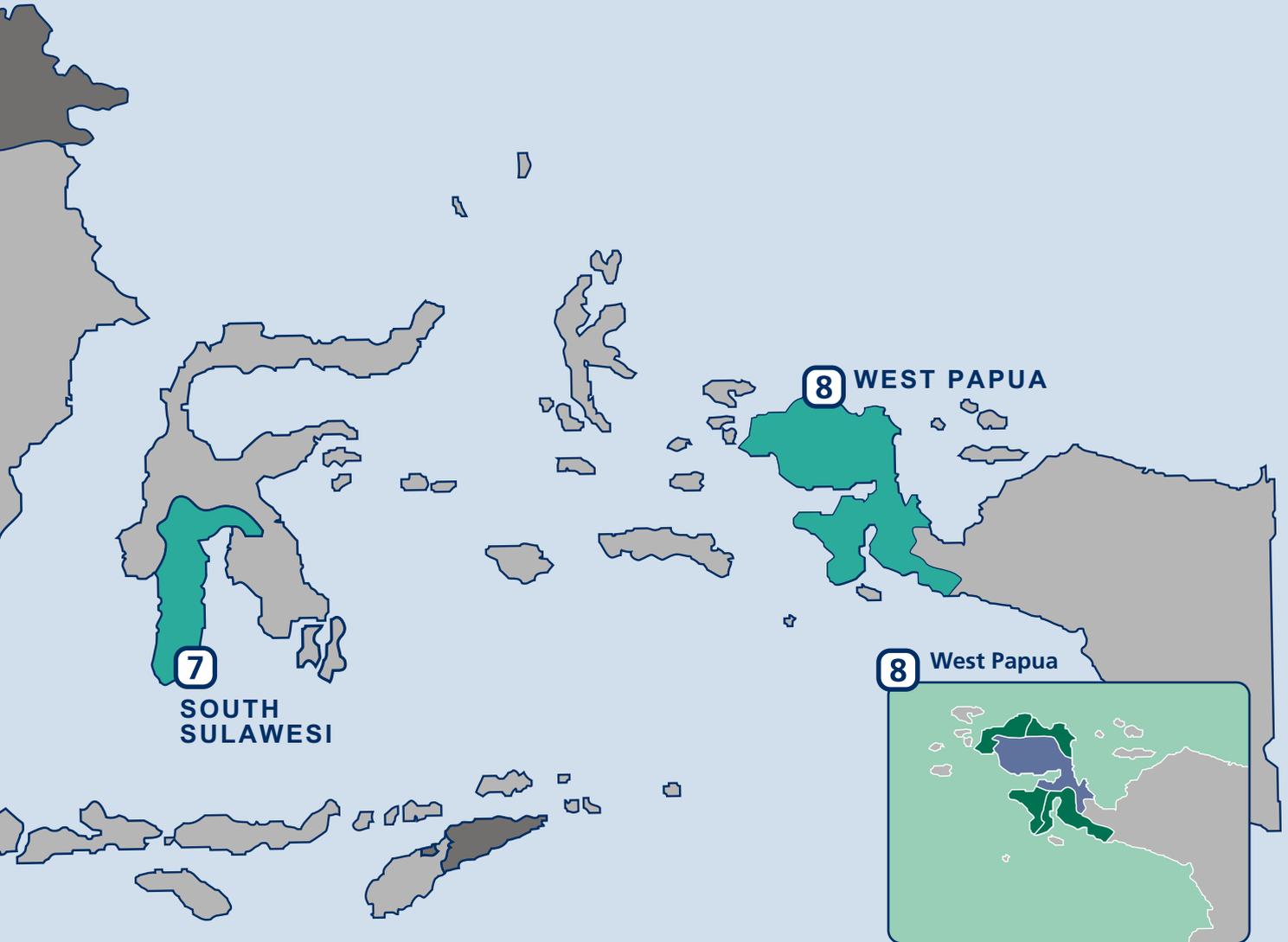


- Round 1
- Kota Bukittinggi
- Kota Padang Panjang
- Padang Pariaman
- Round 2
- Kota Solok
- Solok
- Tanah Datar

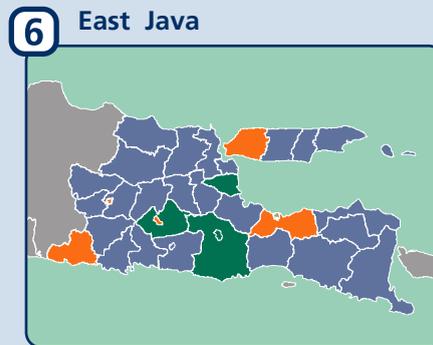


- Round 1
- Kota Bogor
- Kota Depok
- Sukabumi
- Kota Tangerang
- Kota Tasikmalaya
- Round 2
- Bandung
- Kota Bandung
- Cianjur
- Lebak
- Kota Sukabumi

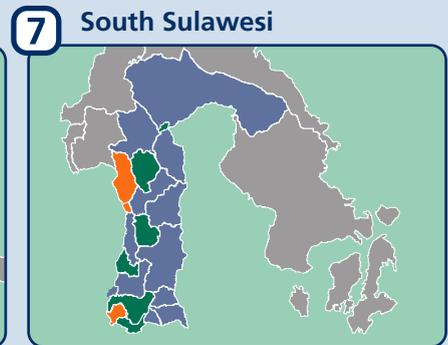
REGIONAL SITES



- | | |
|----------------|----------------|
| Round 1 | Round 2 |
| • Boyolali | • Jepara |
| • Kebumen | • Karanganyar |
| • Sukoharjo | • Klaten |
| | • Kudus |
| | • Semarang |



- | | |
|----------------|------------------|
| Round 1 | Round 2 |
| • Bangkalan | • Kota Batu |
| • Kota Madiun | • Malang |
| • Kota Kediri | • Kota Malang |
| • Pacitan | • Kota Mojokerto |
| • Probolinggo | • Kediri |



- | | |
|-----------------|------------------------|
| Round 1 | Round 2 |
| • Kota Parepare | • Enrekang |
| • Pinrang | • Gowa |
| • Takalar | • Jeneponto |
| | • Pangkajene Kepulauan |
| | • Kota Palopo |
| | • Soppeng |

in local government reporting, including training on government planning and budgeting, regular meetings of senior editors to deepen their understanding of governance issues, and training of alternative media, such as community radio, on responsibly reporting information about local government policies and processes. As a result, local media outlets in LGSP partner areas reporting regularly on governance issues increased from nine in 2006 to 33 in 2007.

The program also helped governments to more effectively use their public relations agencies to communicate with constituents and local media.

In 2007, nearly 75 per cent of partner jurisdictions reported they were making more effective use of their information agencies. There remains a commitment from several local governments to continue both to develop communication strategies for their public relations agency as well as to support capacity building for journalists to ensure that they have the skills and knowledge to properly report on the processes of local governance. LGSP continues to engage journalists by including them in its workshops and trainings to which CSOs are invited in order to build their critical knowledge on issues such as planning, budgeting and public service delivery.

IMLPC's program on healthy press freedom for a healthy local autonomy



LGSP Chief of Party Judith Edstrom delivers a Certificate of Appreciation to IMLPC Executive Director Christiana Chelsea Chan.

During 2006 and 2007, the Indonesian Media Law and Policy Center was a subcontractor to LGSP to implement a media-strengthening program, “Healthy Press Freedom for a Healthy Local Autonomy.” Through regional press clinics, workshops and hands-on technical assistance, IMLPC brought together senior editors, local government public relations staff, DPRD members and media observers to discuss and improve media relations in the provinces where LGSP operates. The program led to concrete results in terms of improved relationships and better media coverage of local governance issues such as planning forums and the local budget.

In September 2007, IMLPC organized the final collaborative event, bringing together some 75 participants from the national parliament, the Press Council, national media, universities and prominent media observers, including Effendi Ghazali of the popular television parody *Republik Mimpi*. The event served as a book launch and public discussion on three publications: “15 Days of Struggle for Press Freedom in Indonesia: the Drafting of Law 40/1999 on the Press,” “A Healthy Press to Support a Healthy Local Autonomy” and “A Healthy Press for the Peaceful Rehabilitation and Reconstruction of Aceh.” The books present the conditions of the press in selected regions, and highlight the achievements of the program to improve relations between local press and local governments. They were circulated to LGSP partners, stakeholders, donors and media groups who are promoting local press freedom and media ethics.



From left to right: Ministry of Home Affairs Director of Local Governance **Made Suwandi**, National Planning Agency Politics and Communications Director **Raden Siliwanti**, LGSP Chief of Party **Judith Edstrom**, Gadjah Mada University's Director of Local Political Affairs Program **Pratikno**, and USAID Senior Local Governance Adviser **Faye Haselkorn**

In 2007, LGSP supported the enabling environment for decentralized governance through:

- Analytical and advisory work supporting the national government and other partners;
- Support of mechanisms and forums that allow for the sharing of good practices, particularly those that support the inclusion of local perspectives in the development of national policy; and
- Development of tools and practices useful for all local governments.

Due to the scale of its work in nearly 60 districts and cities throughout the country, LGSP is well placed to share lessons from its implementation experiences to achieve impact on a larger scale. Since local governments continue to seek greater clarity and responsiveness from the central government, LGSP's work at the national level can provide critical support to local governments in effectively discharging their new responsibilities under decentralization.

Analytical and advisory work

During 2007, LGSP provided advisory support to a number of departments within the Ministry of Home Affairs (MoHA) and to the National Development Planning Agency (Bappenas). A significant part of LGSP's advisory support was through the provision of guidance in the formulation of national laws and guidelines. LGSP provided input either directly or with strategic partners into eight laws or regulations in 2007, three of which have passed into law, and five of which remain in draft form in various states of final review. Most of these laws and regulations are concerned with aspects of the participatory planning process. However, the program has also provided advice on minimum service standards, public service

Section 4

Strengthening the enabling environment for good governance

contracting, and the development of an action plan for regional government capacity development. Accomplishments include:

Capacity development. LGSP was an active member, along with the Canadian International Development Agency (CIDA) and *Germany's Gesellschaft für Technische Zusammenarbeit (GtZ)*, in the Technical Working Group under Home Affairs' Department of Capacity Building and Regional Performance Evaluation based on its Joint Action Plan on Capacity Building for 2007. LGSP provided a part-time advisor to the group, prepared a fact-finding mission for national government capacity-building staff and participated in the drafting of recommendations for finalizing the draft *Presidential Regulation on the National Framework for Capacity Building*.

Regional planning and budgeting with MoHA. LGSP remains active as part of a working group composed of CIDA, GtZ and leading non-governmental organizations providing input to the MoHA Directorate General of Regional Development Planning (Bangda) as it drafts the implementing regulations on regional development planning preparation, monitoring and evaluation. These regulations will help local governments improve the consistency between their medium-term strategic plans and annual plans and budgets.

In addition, LGSP supported Bangda to guide, monitor and evaluate local development plans. With LGSP support, it developed two guidelines in 2007. The first focused on Musrenbang and will be formally used by Bangda to monitor and evaluate Musrenbang implementation at district and province levels and to assist provincial and district governments to improve the quality of Musrenbang implementation. The second will be used to review and evaluate the content

of the medium-term development plans submitted by provincial and district governments, as well as the process by which they were developed.

Good Governance Index. LGSP worked with Bappenas in 2007 to incorporate elements of the Local Governance Assessment Tool initially used by LGSP into a broader Good Governance Index being developed by Bappenas. All key indicators have been agreed upon and the index will be presented in an operational question format by early 2008. Once tested and finalized, the index can be used by all local governments as a self-assessment governance measurement framework.

Mechanisms and forums to bring local views into national policy development

LGSP is particularly well placed to facilitate discussions between local and national governments. In 2007, the program organized several workshops that either allowed for the voices of local governments and citizen's groups to be heard in Jakarta or provided regional actors the opportunity to share best practice solutions to common problems. These include:

Musrenbang. In February 2007, LGSP brought together over 120 representatives from local governments, CSOs and donor agencies to discuss the efficacy of Musrenbang and sectoral department forum processes and the quality and effectiveness of public participation in Musrenbang forums. As a result of this discussion, participants concluded that the Musrenbang process needs to be strengthened in two areas: clearer application of principles encouraging inclusive, broad-based participation at all stages of the decision-making process and sufficient supporting technical analytical work, including synchronization of development planning priorities between different sectors and levels of government to ensure responsiveness to citizens.

Annual planning. To ensure that local perspectives were included in upcoming regulations on annual planning prepared by Bangda, LGSP held a series of regional consultation workshops, involving representatives from 28 local governments, 5 provincial governments, and national representatives from Bappenas. The regulation is now in draft form, awaiting approval. When passed, it will provide local

governments with clear processes and methodologies for developing the annual plan, a methodology for determining budget ceilings, clarity regarding the role of DPRD and CSOs in the preparation process and guidelines for establishing an effective sectoral department forum consultation.

Financial management. In May 2007, LGSP organized a conference with several national agencies (MoHA, Ministry of Finance, Bappenas, the Supreme Audit Agency) and local government representatives to discuss some of the difficulties in implementing recent financial management laws (Permendagri 13/2006 and PP 24/2005). Input provided through these discussions was used in the development of new legislation in 2007 (Permendagri 59/2007) which addressed some of the problems raised by stakeholders.



The Ministry of Finance director general of fiscal balance, Mardiasmo, opens LGSP's conference on financial management reform.

DPRD. LGSP organized a two-day conference in November 2007 on the topic *"The Role of DPRDs in Accelerating Regional Autonomy and Good Governance."* The workshop was attended by over 170 representatives from local DPRDs, national government agencies, civil society organizations, and the donor community who are directly involved in promoting more accountable and effective local councils. Conference participants recommended that a binding legal framework be established to institutionalize citizen participation. At the same time, the capacity of citizens to understand the issues and to advocate in a constructive dialogue needs to be strengthened. LGSP can contribute by providing training in organizing public consultations, as well as through its ongoing training of DPRD members and civil society groups.

Public hearings on revising Law 32/2004 on local governance. The Ministry of Home Affairs is revising Law 32/2004 on local governance, which it plans to submit to the House of Representatives in 2008. As part of a consultative process to solicit regional input into the revisions, MoHA and the team of experts it appointed to advise on the revision invited USAID's Democratic Reform Support Program (DRSP) and LGSP to organize public hearings on a proposed new section on citizen participation. Two workshops were held in November, in Surabaya and Medan, for participants from all LGSP target jurisdictions. Participants included DPRD members, government officials and civil society activists, around 50 in each consultation. Presentations by local government officials on experiences in citizen participation provided valuable feedback to the expert team, as did the set of recommendations which included the following: (1) community members should be included in planning and oversight of public policies; (2) citizen participation should be linked with access to information through, for example, the inclusion of a proviso on the rights of citizens to access public documents such as plans and budgets; and (3) clear policies should be designed at the outset, including local implementing regulations, and MoHA should give guidance and support in implementation.

Regional conferences. LGSP continued to provide opportunities for regional stakeholders to learn from

one another as well as to provide guidance and feedback to the central government. This has resulted in the creation of some formal networks, such as the Aceh Communication Forum, which focuses on topics of planning, budgeting and financial management between the districts of Nanggroe Aceh Darussalam (NAD) and with the provincial government. In addition, many informal connections have been established between reform-minded groups and individuals who can learn from one another and develop momentum for improvement and innovation in both service delivery and approaches to participatory planning and budgeting.

Development of tools and training modules

LGSP produced over 20 training modules and handbooks in 2007. In general, these materials were drawn from the program's experience in providing technical assistance to government actors and members of civil society. The demand for the materials is reflected in the fact that a number of strategic partners, including local governments and educational institutions, have adopted LGSP tools or modules for their own use. Examples of LGSP training materials include:

Manual on Service Improvement Action Planning. The ministerial decree for local governments on

Local governments share experiences on good governance in East Java Province

A regional conference organized in August 2007 by LGSP's East Java regional office not only provided the opportunity for all nine of its LGSP partner jurisdictions to share their experiences in implementing good governance practices but also included an awards ceremony to honor model practitioners of good governance. The event brought together more than 125 participants: national officials, district agency heads, representatives of civil society organizations, service providers and LGSP advisors.

In the evening ceremony, LGSP presented awards to several local governance stakeholders who had created innovative and groundbreaking practices in local governance, including transparency and accountability, participatory practices, and public service improvement. For example, shoemakers, legislators, and the city government of Mojokerto were honored for the way they worked together to improve municipal services for small and medium enterprise development. An education expert from the city of Kediri was cited for his analysis of education allocations and for promoting participatory planning. Probolinggo's district government was honored for disseminating its annual budget publicly through the media.



Anticorruption film for TV receives national coverage

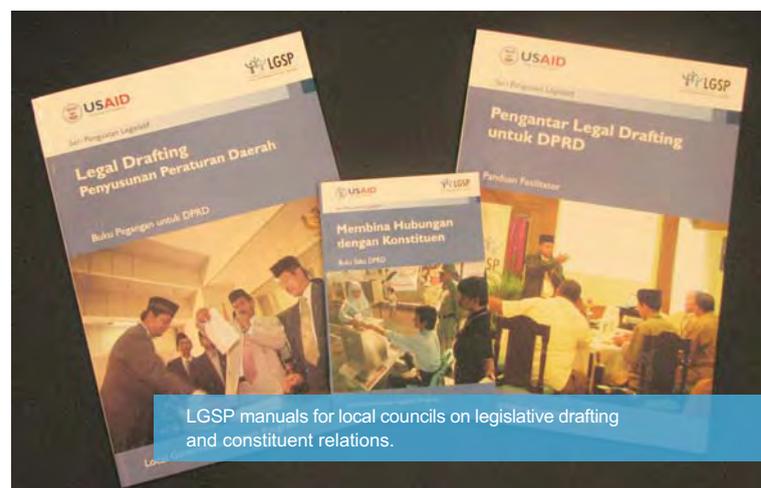
While most of LGSP's tools to support good governance take the form of technical publications and training manuals, in 2007 LGSP supported the production of an innovative communication tool to convey anticorruption messages to the broader public. The film, entitled *Lubang tak Berujung* (A Bottomless Hole), received national attention and coverage. The film explores daily corruption practices in Indonesian bureaucracy through a unique storyline that also accommodates popular culture.

Tidar University in Magelang requested a screening as part of an event called "Stop Corruption Here and Now." The event included a lively discussion attended by about 300 young people from Magelang and included the rector of the university, Gus Yusuf (a well known local religious figure), and Sigit Ariansyah (film director) as speakers. In addition to individual screenings, the film aired through a network of affiliated TV stations in four provinces.

preparing minimum service standards was passed at the end of 2007. To assist with the implementation of these standards, LGSP developed a manual on service improvement action planning that will assist local government agencies, councils and citizens to identify service performance gaps and set realistic targets for service performance. MoHA has shown interest in the manual and plans to use it in conjunction with dissemination of the regulation to local governments. Training modules based on the manual are already in use at the Faculty of Health of Surakarta National University and at Diponegoro University.

Manual on Service Management for Maternal and Neonatal Health Care. This manual was coproduced by the USAID Health Services Program (HSP) and LGSP, dovetailing HSP's technical guideline on action planning for improving maternal and neonatal health care with LGSP's generic guidelines on action planning for improving service management, participatory planning and budgeting, as well as participatory facilitation. In 2007, the module was completed and field tested in North Sumatra.

Handbooks for DPRD. Three publications on legislative strengthening were finalized and disseminated to all 57 partner governments in 2007. These manuals are based on LGSP's experiences in collaborating with DPRD over the past two years, and will be used by LGSP as well as shared with other donors. The books are *Legal Drafting for DPRD: A Facilitator's Handbook*; *Legal Drafting: A Handbook for DPRD Members*; and *Managing Constituent Relations: A Handbook for DPRD Members*.



LGSP manuals for local councils on legislative drafting and constituent relations.

Partnerships with regional and national institutions

In collaboration with LGSP, the Urban and Regional Planning Study Center at Surakarta National University developed a comprehensive syllabus on participatory planning for undergraduate students based on LGSP approaches, manuals and guidelines during 2007. Nearly 60 planners, planning educators and practitioners from UNS and selected universities in Java reviewed the materials, lauding the focus on the participation of multiple stakeholders in the planning process and the development of educational material that responded to emerging needs from planning practice.

LGSP began to discuss similar opportunities for collaboration with the State Administration Institution (LAN) and the Indonesian Association of Planning Schools. LGSP also initiated contact with regional training institutions, including the Education and Training Institute in East Java and the regional branch of LAN in South Sulawesi.

In addition, in anticipation of a new MoHA ministerial decree on regional cooperation including guidelines on public-private partnerships, LGSP prepared a manual on public service contracting in collaboration with the Center for Economic and Public Policy Studies at the University of Gajah Mada. This manual incorporated a wide range of local experiences, based on inputs from local governments, local government enterprises and private sector service providers. The manual is expected to be endorsed by MoHA and distributed in 2008 in conjunction with the new ministerial decree.

Development of service providers

Due to the complexity of new regulations in finance and budgeting, there is a high demand for qualified service providers—consultants, universities or non-profit groups who can assist local governments in applying the new regulations. In 2007, LGSP provided additional training for 19 institutional service providers in five provinces, mainly from regional university faculties, on accounting and reporting for sectoral departments, performance reporting and legislative budget oversight, among other topics.

To continue to support the implementation of participatory processes, LGSP provided training in facilitation for nearly 200 individuals from four provinces who could subsequently become service providers in this specialty.

Section 5

Special program: Aceh



The disaster recovery activities which followed the earthquake and tsunami of December 2004 and brought LGSP to Aceh have largely been concluded. The Government of Indonesia officially declared the end of the emergency work in late 2006. In 2007, LGSP has moved from a focus on short-term recovery assistance to one of long-term capacity building and performance improvement in local government systems and citizen's participation.

Responding to the dynamic context resulting from the 2004 tsunami and 30 years of armed conflict, LGSP dramatically increased the number and scope of interventions. During the past 15 months, LGSP presented 138 workshops, trained 3,891 citizens and government officials, provided thousands of hours of hands-on technical assistance. The program also played a lead role among donor organizations in organizing and conducting successful provincial elections, trained and assisted new leaders from all 23 jurisdictions in the province in fulfilling the requirements of their new responsibilities and assisted government and citizen's groups to produce highly participatory and transparent plans and budgets in all five local jurisdictions. In September 2007, LGSP signed an agreement with SPADA (Support for Poor and Disadvantaged Areas) with funding from the Multi-Donor Fund (executed by the World Bank) doubling LGSP target jurisdictions from five to 11 local governments.

First democratic elections in Aceh

In collaboration with the Aceh Independent Election Commission (Komite Independen Pemilu, KIP), LGSP assisted in establishing and implementing a new legal electoral framework in a post-conflict environment with 500,000 voters displaced by the tsunami. LGSP assisted KIP with the creation of a comprehensive electoral management system for

the first democratic elections in Aceh in December 2006. While much of LGSP's work on the Aceh elections took place prior to the current reporting period, and were described in LGSP's 2006 annual report, assistance continued through to the December elections. LGSP provided training and technical assistance in: drafting regulations for voter registration; conducting independent candidate verification; establishing international and national observer procedures; training election officials; developing manuals and training for poll workers; and training journalists in election reporting.

LGSP worked closely with other donors and agencies during the election process. For example, UNDP funded the construction and operation of an electoral information and communication center and a full-time team of electoral support personnel which worked in close coordination with LGSP in the distribution of electoral information, regulations, guidelines and training materials produced by LGSP. Coordination proved particularly important in the cascading series of trainings LGSP organized for electoral workers and officials. LGSP funds were sufficient for the training of three initial groups of election personnel designated to supervise and operate the voting stations. With additional funding from UNDP, the initial group of 120, with LGSP and UNDP staff, fanned out to all 19 local jurisdictions and helped train and organize a total of 50,000 election workers.

Despite the preceding 30 years of armed conflict, the elections were free and fair. The success of the electoral process was indicated by the reviews of major international observer missions, particularly those from the European Union and the Association of Southeast Asian Nations, which revealed that the error rate was less than 2 per cent, a figure comparable to most developed countries.

An analysis of the electoral assistance effort highlights four important factors that contributed to the success of LGSP interventions: consistent and continuous assistance throughout the electoral process; flexibility in the type and timing of technical assistance and financial support; a constructive mix of international and local expertise; and strong donor support and coordination.

Assisting newly elected leaders

The December 2006 Aceh elections put new leadership in place throughout the province. For the first time, citizens were able to vote for candidates who had no affiliation with established political parties or the previous authority. In fact, the Governor and 65 per cent of the newly elected officials came from the Free Aceh Movement which only two years earlier had been engaged in guerilla warfare against the central government. Most of the new leaders had no previous government or management experience and many have not had the opportunity to obtain advanced education. Despite the lack of experience, the leadership was expected to manage complex government bureaucracies and budgets, produce annual and five-year development plans, draft new laws and regulations, and make major improvements in public service delivery.

In response to the obvious needs, and in response to requests from key officials, LGSP collaborated with UNDP to establish an Executive Development Program to provide training and information to more than 40 new leaders. The program was designed as a series of one- or two-day sessions, each focused on a specific and timely governance issue. The new leaders took office between late January and March of 2007, at the beginning of the official government activity calendar. Their first task, required by law within 90 days of inauguration, was to prepare and present a vision and mission statement, which is a five-year development plan for their jurisdiction setting out priorities, indicators, and interventions. During the same time period, the government calendar and regulations mandate starting the process of producing each jurisdiction's annual operating plan and budget accompanied by a bottom-up participatory planning process.

Consequently, the first executive development session focused on the techniques and procedures involved

in producing the local budget and vision and mission statement within a good governance framework, with practical presentations and examples of good products from other parts of Indonesia. The session produced the desired results. Vision and mission statements and annual budgets were produced throughout the province, although with widely varying time frames and levels of quality reflecting the differences among the jurisdictions' staff capabilities and access to qualified technical assistance.

The format of the Executive Development Program proved to be very popular with both the new leaders and with several other governance projects in Aceh. Although the LGSP–UNDP partnership planned to present from four to six sessions during 2007, LGSP's coordination efforts with other governance projects led to modifications. LGSP helped other projects to replicate the format and present sessions in keeping with their areas of specialization linked to emerging issues from the government operations calendar. For example, the Canada–Aceh Local Government Assistance Program presented a session on financial management and budgeting just as the annual budget process got underway. The European Union's Aceh Local Governance Action Programme organized a session on legal and legislative issues in time for the annual negotiations between the executive and legislative branches on plans and budgets.

In addition to providing sorely needed technical skills, the Executive Development Program served as a forum for discussion among the new district and municipal elected leaders and the governor as well as a starting point for further technical assistance. The partnership with UNDP and important contributions from the governor added weight to the sessions and brought a greater range of resources to the program. Sessions with the new leaders helped LGSP develop a greater understanding of the specific concerns of each leader as they entered office, which in turn proved a useful basis for training and technical assistance conducted in LGSP's five jurisdictions throughout the year.

Integrated planning and budgeting

Despite the success of the Executive Development Program, the sessions would have had limited effect in the absence of follow-up technical assistance. LGSP initiated such on-site assistance in integrated

Interview: Banda Aceh Deputy Mayor Illiza Sa'aduddin Djamal



From 1999 to 2004 Djamal was the sole female member elected to the Banda Aceh local council. She was one of three women reelected to the post for 2004–2009 before she resigned to become deputy mayor. Djamal is also the head of Banda Aceh's Muslim-based United Development Party (PPP), the only female party chief in the area.

Djamal has worked with LGSP since it began providing technical aid to Aceh in 2005 and has participated in a range of different training programs including the Executive Development Program. LGSP interviewed her in June 2007:

What do you think about this training program for regional heads and what did you learn?

For me as a deputy mayor, this training was very useful. I participated in LGSP training programs before but only as a DPRD member, not as a member of the executive. I found the seminar about the relationship between regional legislatures and executives particularly interesting. What is important is how to adjust this relationship. If legislatures do not support executives, there could be an imbalance. In that case, we will face obstacles in working for the public good.

The meeting about regional finances was effective because we could communicate directly with Pak Made Suwandi, director for local government at the Home Affairs Ministry, who has been involved in creating various regional regulations. It wasn't just a discussion about interpreting regulations. We could also directly communicate our problems and seek solutions.

How does it feel to be a woman in local government?

Although I am the only woman here, I feel appreciated. Everybody accepts me. And this is not the first time I am the "only woman." I used to be the sole female member of the Banda Aceh DPRD. I just say "Bismillah" [in the name of Allah] and I do my job. This is where my mandate comes from, so I must perform well.

participatory planning and budgeting to the new leaders and their staff in the five LGSP partner jurisdictions. Indeed, the core of LGSP technical assistance in local government management in Aceh is the development of integrated planning and budgeting systems that rely on a high degree of citizen participation and transparency. In 2007, LGSP moved from work with individual departments or working units to an integrated approach in order to link the different departments, leading to functional systems and improved performance. Rather than presenting separate programs for planning or budgeting staff, LGSP brought the various government working units together in both workshops and technical assistance activities, as government regulations and logic required.

Early in 2007, LGSP brought citizens and the legislature into the planning and budgeting assistance activities, emphasizing the important role each plays in the annual planning and budgeting process. While the technical planning and budgeting skills of government staff were advanced, citizens and legislators also came to understand the complexities of the process and how they could best intervene to enrich government operations and reflect the priorities citizens set in the Musrenbang.

This integrated approach yielded excellent results. All five partner districts completed their planning and budgeting activities according to the national schedule for the first time while meeting or exceeding central government standards. These modifications, especially the inclusion of citizens and legislators in

workshops and technical assistance, resulted in solid advances in participation and transparency.

LGSP supported citizen participation in Musrenbang by presenting the guidelines, rationale and technical components of the process in workshops and technical assistance visits. LGSP also provided training for the Musrenbang facilitators who would conduct the work in the villages and subdistricts. After working with local governments to consolidate the information and priorities obtained during these public consultations, LGSP encouraged local governments to develop innovative, locally appropriate mechanisms to inform the community of the resulting plans and budgets. Banda Aceh, Aceh Besar and Aceh Barat produced posters listing all planned activities along with the related budgets. The posters were distributed throughout the jurisdiction and displayed in villages, government offices and public spaces. Nagan Raya and Banda Aceh published the plans in the local press, held formal consultation meetings, and introduced an Aceh innovation called “coffee mornings” where citizens and officials met informally to discuss draft plans and budgets and raise other issues of local concern.

LGSP assisted in the presentation of formal public consultations on plans and budgets in all five jurisdictions for both annual and five-year plans. The consultations had extensive coverage in the local press and citizen participation was strong. For example, the consultations on the five-year development plan in Aceh Besar were attended by more than 300 citizens; in Banda Aceh by 150; Aceh Jaya, 125; Nagan Raya, more than 200. These results compare favorably with town-hall meeting participation in the United States and similar public consultations in Europe.

LGSP also used the airwaves to support public participation and transparency. In Aceh Barat, LGSP worked with the local government and citizen groups including Aceh Flower and the University of Teuku Umar to produce a series of three radio programs designed to increase public participation and transparency in local government operations. Among other benefits, the broadcasts led to a commitment by the government to implement a village-based development program that supports more independence in village planning and budgeting. In Banda Aceh, the LGSP team collaborated with



Stakeholders discuss development planning during an LGSP workshop.

Women’s Radio to produce a series of fortnightly radio programs that addressed various public service issues including participatory planning and budgeting and improvement in the delivery of public services.

New partnerships: expanding LGSP assistance

In September 2007, LGSP initiated two new partnerships which will significantly expand the reach of LGSP assistance. As the result of a Financial Management Forum with the Aceh provincial government, preliminary agreement was reached between USAID-LGSP and the provincial government to establish an intensive program of training and technical assistance for the province in planning and the management of provincial budgets and assets. LGSP has already produced initial work plans for assisting the provincial planning, financial management and asset management units, which will involve posting full-time senior advisors for planning and budgeting in the governor’s office. The full program is expected to be underway by April 2008.

LGSP leveraged an additional \$2.5 million to expand the program to six additional districts along Aceh’s east coast through a partnership with the SPADA project (Support for Poor and Disadvantaged Areas) funded by the Multi Donor Fund for Aceh and Nias, which provides grants for service improvement in health, infrastructure, and education to districts and cities in Aceh. LGSP will focus on governance issues while SPADA continues with its grant-making activities. LGSP conducted assessments, promoted the program locally, and developed work plans in the new jurisdictions. Technical assistance and training will begin in January 2008.

Section 6

Special Program: Bird's Head Governance Initiative



Under the Special Autonomy Law for Papua (Law 21/2001), local governments in that region have unique opportunities to improve the quality of governance and service delivery in their communities. As a result of decentralization and an increase in private sector-led resource development, these local governments have access to additional sources of revenue and face the unfamiliar challenge of managing new revenue streams and ensuring that services respond to their communities and citizens.

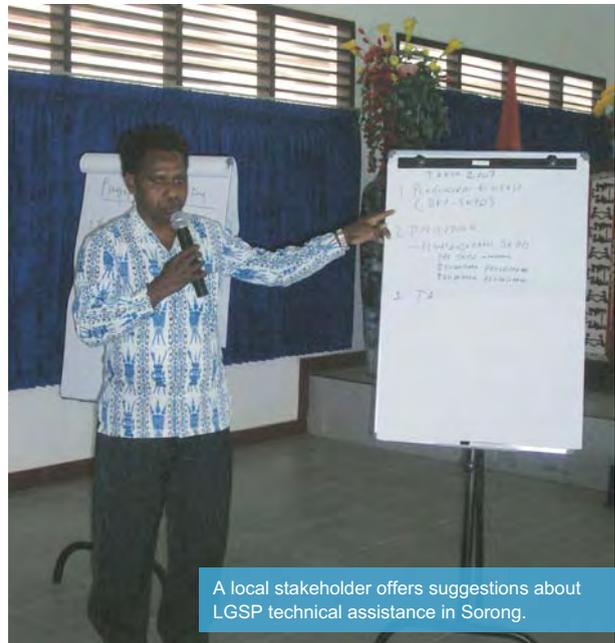
To assist local governments in the Bird's Head region of West Papua in responsibly managing and leveraging new resource opportunities, USAID tasked LGSP in June 2006 to implement a three-year Bird's Head Governance Initiative as part of the broader USAID–BP Bird's Head Development Initiative. The LGSP component is designed to assist local governments to:

- Enhance local planning, budgeting and financial management practices and transparency for more efficient resource management and accountability;
- Improve the decision-making and supervisory functions of local councils over financial and budget performance as the people's elected representatives; and
- Increase the informed participation of local communities in local government development planning and budgeting deliberations that affect their futures.

The region presents unique challenges due to its rugged topography, traditional culture, and relatively low human-resource capacity. The LGSP team worked with USAID and BP Berau staff to design a governance capacity-building approach that reflects the distinct character of Papuan society, the continuing

importance of tribal and traditional (adat) communities, and the governance arrangements put in place by the Special Autonomy Law for Papua (Law 21/2001). Following a scoping mission in August 2006, LGSP identified five target local governments based on local government commitment, co-location of other USAID and BP Berau projects and other factors. LGSP initiated assistance to three of the five local governments in early 2007.

LGSP start up



A local stakeholder offers suggestions about LGSP technical assistance in Sorong.

The West Papua program began in December 2006 by measuring the existing capacity of the selected local governments in the areas of planning, financial management and budgeting, through the Public Finance Measurement (PFM) diagnostic. This diagnostic focused on the local government capacity in planning, budgeting, finance and accounting. The diagnostic found that the capacity levels of partner governments were similar to those of other Indonesian

local governments in the areas of planning and budgeting. Capacity in accounting, however, was found to be actually higher than average in two locations: Solong Selatan and Sorong City. Further discussions revealed that the locations use consulting firms to assist them in meeting accounting requirements. In these areas, the consulting firms have helped to provide software and system analysis.

These results were useful in designing the work plans to address those technical areas that needed the most improvement. In most areas, materials developed by LGSP in planning and budgeting are already well-targeted to meet local government needs. In locations where consulting firms are being used, LGSP's objective has been to assist local governments to move from a position where they simply provide information to a consultant to undertake the work to one where they can manage the process and determine their needs on a more conceptual level.

In February 2007, LGSP staff met with the governor of West Papua, who gave his endorsement and support to the program, and agreed to LGSP's establishment of an office in Sorong. Subsequent meetings were held with district heads and DPRD leaders to review LGSP goals. Because of transportation difficulties, LGSP recruited district coordinators to provide ongoing onsite dialogue and program support with LG partners. Most staff were in place by early April.

LGSP worked primarily with three jurisdictions in 2007: Fakfak, Manokwari and the city of Sorong City. In late 2007, an additional two jurisdictions were added to the program—Sorong and Kaimana districts. Work plans with these two governments will be prepared in early 2008.

Overall achievements in 2007

Following the PFM diagnostic LGSP worked with the three selected jurisdictions to develop work plans with each local government through workshops that brought together all stakeholders representing the local governments, DPRD, civil society organizations and community leaders. This process resulted in a tailored set of activities to strengthen the capacity of local governments in the areas of participatory planning, finance and budgeting, while strengthening

DPRD capacity as well. In both Kaimana and Fakfak, the West Papuan Women's Association played an active role. Implementation of the agreed work plans began in July 2007. Although LGSP assistance began late in the planning and budgeting calendar, the combined results from the training workshops and technical assistance are quite significant.

All planned activities for the 2007 work plan were completed in the areas of finance and budgeting as well as planning. In planning, assistance in Manokwari and Fakfak focused on the finalization of the annual planning process, while in Sorong City, the focus was more on the development of a medium-term plan. All locations received training on requirements mandated by Permendagri 13, with a focus on financial management skills.

Fakfak District

Fakfak district was well prepared for receiving LGSP technical assistance. They had participated in previous USAID programs and therefore understood of the nature of the assistance and appreciated its benefits.

The results of the LGSP program in Fakfak were notable. The government's overall process of planning and budgeting was made more efficient and more effective in a number of ways. LGSP was able to help facilitate the preparation of the 2008 annual budget in a timely manner: it was completed by mid-December 2007 and fully approved by the DPRD in January 2008. In contrast, the 2007 budget had not been approved until May 2007. Included in this achievement was the joint signing by both the executive and DPRD of the general budget policy, a critical part of the planning and budgeting process.

Fakfak government officials are looking forward to further LGSP assistance to increase the capacity of their staff to carry out planning, budgeting and other important programs. In particular, next year LGSP will assist in the training of facilitators to assist with the Musrenbang process.

City of Sorong

The LGSP program in the city of Sorong has enjoyed strong support from the local development planning agency (Bappeda) and most government officials.

As a result, the technical assistance for planning and budgeting has been very well received and has had a positive impact on the preparation of annual budget. The LGSP training in planning and budgeting helped Sorong prepare the 2008 budget in a more timely and efficient way. More specifically, assistance in developing the general budget policy and training in performance budgeting were critical in getting a more appropriate budget prepared within existing government regulations and guidelines.

LGSP's integrated approach of working with all stakeholders is a challenge because of the hierarchical and bureaucratic way that the DPRD operates and its limited experience in using participatory processes when making decisions. The priority for the coming year will be to seek greater commitment from DPRD, as well as to deepen the implementation of Musrenbang events to cover all sub-districts in Sorong; in 2007 they were limited to city level Musrenbang.

Manokwari District

In Manokwari, the government's planning and budgeting process was carried out more efficiently than in previous years. As was the case in the other two LGSP-assisted local governments, the result of LGSP assistance was approval of the budget in a far more timely manner. In addition, LGSP facilitated a public hearing by the DPRD which included most stakeholders in the district. DPRD was also supported with trainings on legal drafting and key elements of the budgeting process such as the development of the general budget policy.

Looking forward

Through its work in West Papua in 2007, LGSP has identified two opportunities for improving the region's planning approach and methods. First, LGSP may pursue a review of the Musrenbang process to adjust the methodology to reflect a closer match with the cultural characteristics of West Papua. To support the adaptation of the planning process, in two districts, Kaimana and Fakfak, LGSP plans to move forward with training Musrenbang facilitators. Second, LGSP plans a more general review of the planning systems used in different local governments in West Papua to gain insight into these differences and to encourage partners to consider possible application of these planning systems in their own jurisdictions.



LGSP introduces its program to the district of Manokwari.

Section 7

Program management and implementation achievements in 2007



From left to right: H.S. Dillon, senior governance advisor to PT Freeport Indonesia, and LGSP advisors Yoenarsih Nazar and Hans Antlov discuss good governance in Indonesia.

2007 work plan implementation in partner jurisdictions

At the regional level, the average rate of implemented activities across all regions at the end of the fourth quarter of work plan implementation (based on calendar year) was 98 per cent. The cumulative completion rate of work plan activities in the respective regions is shown in Figure 5.

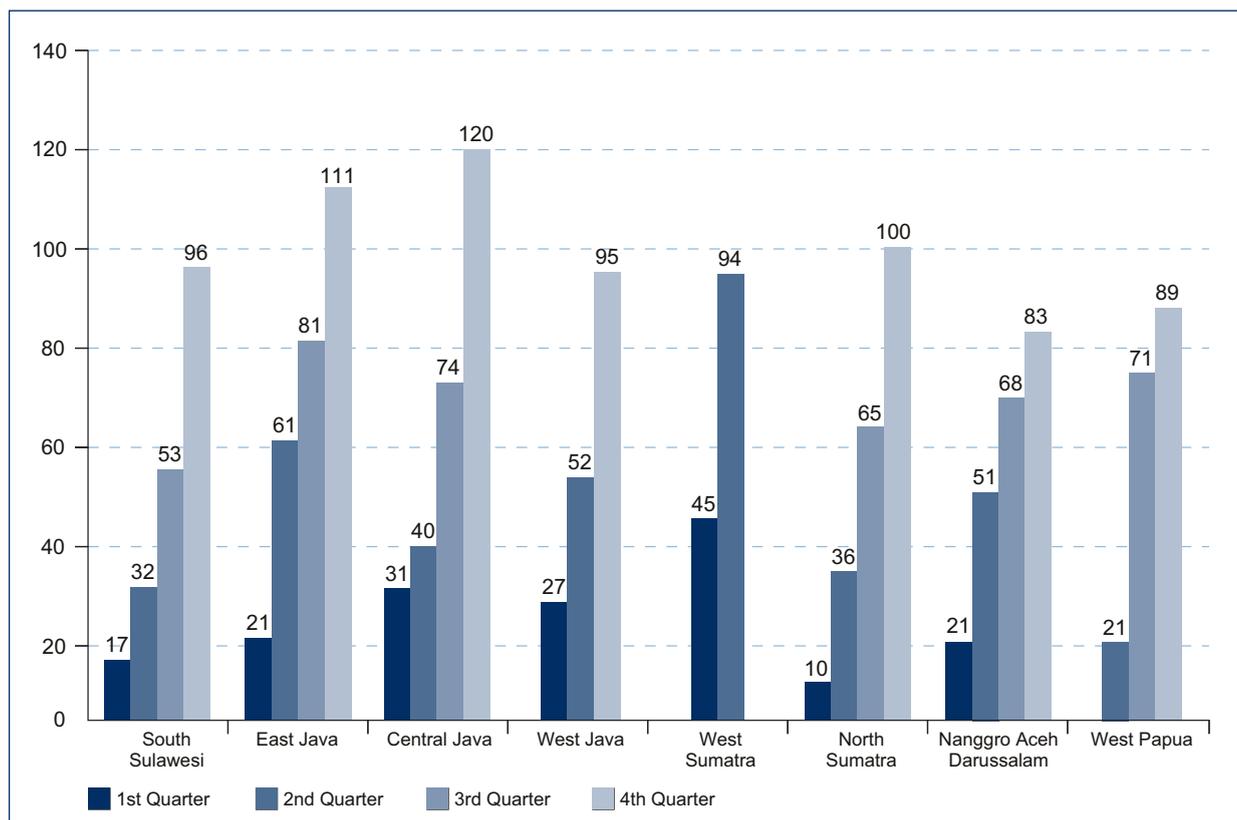
Two of the regions carried out more activities than were originally planned, and another region completed 100 per cent of planned activities. The two regions with relatively lower rates were Aceh and West Papua.

In the case of Aceh, the number of planned activities (247) was far higher, on a district basis, than in any other LGSP region and may have been too ambitious for the available time and staff resources. West Papua suffered from staffing constraints and slower than expected uptake of LGSP assistance by local councils, which prevented the completion of all activities in its work plans.

Completion of district programs in West Java and West Sumatra

LGSP completed its program of collaboration in two provinces in 2007: West Sumatra and West Java.

Figure 5. Cumulative percentages of LGSP work plan activities completed by region



The West Sumatra LGSP experience showed important results in several areas. The core capacities of LGSP's six partner districts in planning and budgeting were strengthened, and some notable outcomes were recorded. The use of participatory planning took place in all partner governments in West Sumatra, and the promotion of budget transparency through the use of posters in community centers was a well publicized result of LGSP efforts in Padang Pajang. DPRD's were working more closely with the executive branch for better coordination and oversight of the budget and reporting processes, along with development of many important local regulations that promoted good governance. The assistance to several of the service improvement areas has resulted in a continued effort by most of the local governments to continue their efforts to improve them. Some examples include the processing of waste disposal based on community participation in the city of Bukittinggi (with good coordination with neighboring jurisdictions) and steps taken to improve the effectiveness of schools and education in both Solok and Tanah Datar districts.

The overall development of good governance was consistently achieved in all local governments in West Java (eight partner governments) and Banten (two partner governments). During the period of LGSP support, the implementation of participatory planning and performance-based budgeting was deepened. All partner governments followed the

participatory guidelines for Musrenbang provided by LGSP. In addition, two partner governments held public hearings on the annual budget and three introduced the general dissemination of the annual budget to the public by way of posters, newspapers or other communication channels. DPRD's also benefitted from LGSP technical assistance, particularly in developing their skills for budget oversight and a more responsive attitude toward the needs of their constituents. Government services were improved in several locations, particularly for more effective health care in Bandung district and basic education and local economic development in Tasikmalaya city with improved service in revolving fund management for SMEs and the introduction of a complaint desk for local residents to bring their concerns to the attention of the education officials.

Beneficiaries of LGSP training and technical assistance

LGSP training, technical assistance and facilitation reached an estimated 20,000 persons during 2007. Figures 6 and 7 present a breakdown of individuals trained within the areas of LGSP activities. Figure 6 presents the breakdown of participants in LGSP-supported training events or workshops. Figure 7 shows the number of individuals who benefited from direct technical assistance or who participated in any event where LGSP provided facilitation. 28,442 people received training, participated in a workshop, were

Figure 6. Number of participants in trainings and workshops

LGSP Thematic Area	Executive and Community Members		DPRD		Total
	Male	Female	Male	Female	
Participatory Planning	3,342	911	157	78	4,488
Finance and Budgeting	2,226	1,409	96	32	3,763
Public Service Improvement	1,645	657	35	8	2,345
Civil Society and Media	2,795	936	72	12	3,815
Legislative Strengthening	573	233	1,522	126	2,454
Other Training	296	116	11	0	423
Total	10,877	4,262	1,893	256	17,288

directly assisted by technical assistance, or benefited from LGSP facilitation. These figures include individuals who participated in more than one event, which LGSP encouraged to the extent that a number of training programs and events build on preceding

modules or activities. Hence, the net number of participants was less than the total figures shown below. Nonetheless it is likely that up to 20,000 persons were reached by LGSP-supported programs.

Figure 7. Number of participants assisted by technical assistance or facilitation

LGSP Thematic Area	Executive and Community Members		DPRD		Total
	Male	Female	Male	Female	
Participatory Planning	2,465	836	32	7	3,340
Finance and Budgeting	743	689	40	10	1,482
Public Service Improvement	1,218	458	18	6	1,700
Civil Society and Media	2,855	887	14	2	3,758
Legislative Strengthening	233	62	490	47	832
Other Training	35	7	0	0	42
Total	7,549	2,939	594	72	11,154

National and Regional Office Contacts

Location	Head of Office	Address
National Office - Jakarta	Judith Edstrom +62 (21) 515 1755 jedstrom@lgsp.or.id	Indonesia Stock Exchange Building Tower 1, 29th Floor Jl. Jend. Sudirman Kav. 52-53 Jakarta 12190 Tel: +62 (21) 515 1755 Fax: +62 (21) 515 1752
Aceh Banda Aceh	Edward Scott +62 812 699 2711 escott@lgsp.or.id escottor@yahoo.com	Jl. Sultan Iskandar Muda No. 65 Punge - Blang Cut Kec. Meuraxa Banda Aceh, NAD Tel: +62 (651) 405 12/11 Fax: +62 (651) 405 10
North Sumatra Medan	Ivan Nasution +62 812 601 5561 inasution@lgsp.or.id	Jl. Sei Batang Kuis No. 12/14, Medan 20154 North Sumatra Tel: +62 (61) 452 8705, 415 4569 Fax: +62 (61) 415 7715
West Sumatra (Liaison Office) Padang	Zulkifli Kahar +62 812 671 9479 zkahar@lgsp.or.id	Kantor Dinas Pengelolaan Keuangan Daerah (DPKD/Samsat) Jl. Khatib Sulaiman No. 43 Lantai 3 Padang, West Sumatra Tel/Fax: +62 (751) 445 042
West Java (Liaison Office) Bandung	Sambas +62 812 106 2230 sambas@lgsp.or.id	Jl. Ir. H. Juanda Np. 287, Bandung, West Java 40135 Tel/Fax: +62 (22) 825 0058 Bappeda Line: +62 (22) 281 6061 ext 381
Central Java Yogyakarta	Budi Rahardjo +62 812 106 2224 brahardjo@lgsp.or.id	Griya Indah IV No. 251-252 Jl. Godean, Yogyakarta Central Java 55182 Tel/Fax: +62 (274) 586 289
East Java Malang	Dina Limanto +62 812 331 2256 dlimanto@lgsp.or.id	Jl. Tanggamus No. 3 Malang, East Java Tel: +62 (341) 551 007 Fax: +62 (341) 558 098
South Sulawesi Makassar	Didiek Hadiprabowo +62 812 106 2183 dhadiprabowo@lgsp.or.id	Jl. Monginsidi No. 14, Makassar, South Sulawesi 90113 Tel: +62 (411) 858 378 Fax: +62 (411) 871 814
West Papua Sorong	Bambang Setyawan +62 811 109 3859 bsetyawan@lgsp.or.id	Ruko VINI VIDI VICI Jl. Jendral Sudirman No. 08, Klademak I Kota Sorong, West Papua 98415 Tel: +62 (951) 329 292 Fax: +62 (951) 328 282



LGSP National Office
Indonesia Stock Exchange Building
Tower 1, 29th Floor
Jl. Jend Sudirman Kav. 52-53
Jakarta 12190
Tel.: +62 (21) 515 1755
Fax.: +62 (21) 515 1752
email: info@lgsp.or.id
www.lgsp.or.id



RTI Indonesia
Indonesia Stock Exchange Building
Tower 2, 23th Floor
Jl. Jend. Sudirman Kav. 52-53
Jakarta 12190
Tel.: +62 (21) 515 0010
Fax.: +62 (21) 515 2332
email: rti-indo@rti.org
www.rti.org