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# 2008 Annual Report Local Governance Support Program



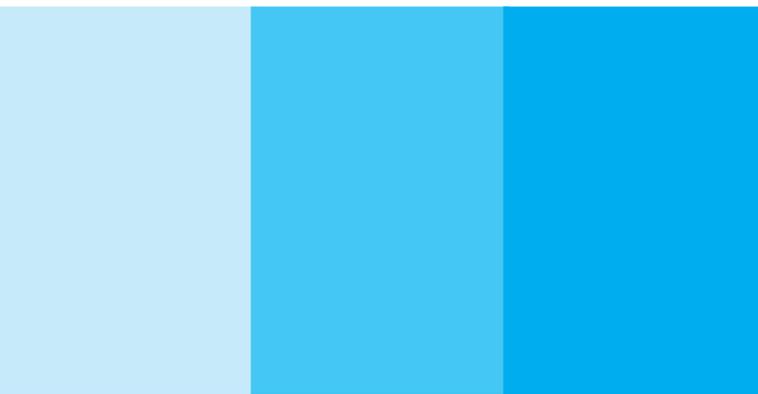
Local Governance Support Program  
2008 Annual Report

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**Cover photo:** A health worker examines a patient at the Tanjung Morawa Health Clinic in Deli Serdang, North Sumatra, which has adopted a citizen service charter for delivery of health services. LGSP worked with a multi-stakeholder group of citizens and health department staff to develop the charter, the motto of which is “excellence in service—and service with a smile.”

# 2008 Annual Report

## LOCAL GOVERNANCE SUPPORT PROGRAM



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## Message from the Chief of Party

LGSP's overarching objective for 2008 was: **consolidation in pursuit of sustainability**. Having developed the trust of our partner local jurisdictions as well as a repertoire of practices, training modules and capacity building approaches after 2½ years of implementation, we focused on identifying and refining the best of these with a view to wider dissemination and institutionalization. We also sought to identify positive changes that LGSP has assisted to bring about in governance practices in our partner jurisdictions, so that we can establish which of these are most effective in promoting sustained good governance before LGSP completes its work in September 2009.

So how can we capture—and measure—the changes being sought by LGSP? Numerical indicators are proxies for improvements in governance and tell part of the story. Qualitative analyses provide more in-depth understanding of changes attributable to any one set of interventions, and are often more appropriate for complex projects that seek to effect changes in behavior. This year's annual report focuses on this latter avenue of investigation by reporting on what we have learned this year in regard to the effectiveness of three aspects of local governance:

- Involvement of citizens and other stakeholders in the formal local government planning processes,
- Citizen coalitions that engage with government as advocates or partners, and
- Emerging role of local councils in the local government budget process.

We hope that these findings will not only shed light on what LGSP has worked to achieve, but also contribute more generally to progress in promoting good governance in Indonesia. Additional information about LGSP's technical findings and training materials, including electronic copies of our publications, can be found on our website, [www.lgsp.or.id](http://www.lgsp.or.id).

On behalf of LGSP staff, I would like to thank the Government of Indonesia and our local government partners for the opportunity to work together to support decentralized good governance. We also commend the many civil society organizations, as well as other national and international partners, with whom we're working for their contributions to building a strong platform for democratic governance in Indonesia. We express our appreciation to USAID colleagues for guidance they have provided this year. And last but not least, to all the dedicated and talented LGSP staff based in LGSP's six regional offices and our national office in Jakarta, *terima kasih*—for the honor of working with you in LGSP.

**Judith Edstrom**

Chief of Party

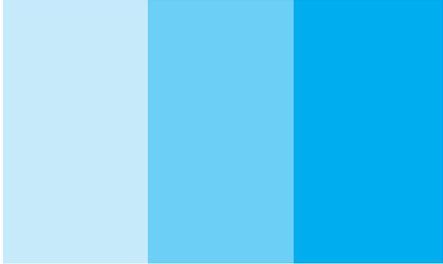
Local Governance Support Program



**LGSP Senior Management Team**

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## Introduction

*Countries can promote human development for all only when they have governance systems that are fully accountable to all people—and when all people can participate in the debates and decisions that shape their lives.*

### ***Deepening Democracy in a Fragmented World*** UNDP Human Development Report 2002

The greatest challenge confronting a decentralized good governance program like LGSP is measuring and documenting the change brought about by the program. Governance projects are about process and choice rather than pre-determined outputs, and generally cannot be hard-wired in advance for specific service delivery outcomes. They seek to alter or imprint patterns of individual and group behaviors that determine governance, so outcomes are not only messy but do not lend themselves to production of short-term measurable changes in indicators of performance or welfare. A recent World Bank report on decentralization raises the difficulty of directly linking decentralization reform with specific service delivery metrics or outcomes.<sup>1</sup>

More generally, determining and isolating causality between distinct governance indicators and specific policy or reform measures—or between improved governance and service delivery—can also be difficult to prove. Indeed, the 2002 Human Development Report cited above argues that the links between democracy and human development are not automatic, and strengthening these is the greatest challenge of democratic governance. At the same time, a number of recent international and Indonesia studies point to the importance of stimulating demand for good governance through participatory and citizen-based processes to strengthen government services and good governance.

This year's Annual Report begins with the premise that LGSP's targeted results are largely process outputs and outcomes. Governance projects are predicated on the rationale that a pluralist system which brings more views and voices into decision-making is preferable, on grounds of responsiveness and ultimate sustainability, to authoritarian systems in which the executive makes all the decisions. In the words of outgoing USAID Administrator Henrietta Fore: "*while it may be possible for a government to improve regulations on its own, success has always been greater when the reforms come out of dialogue between the government and the private sector, between management and labor, between business and consumers.*" LGSP was designed to support the paradigm shift embodied in Indonesia's decentralization efforts to not only delegate authority to the local administrations but also to bring local councils and citizens into planning, budgeting and service delivery processes that had heretofore been reserved to the executive branch of government.

LGSP's 2008 Report looks candidly at some of the tangible achievements and challenges to date in bringing citizens and local councils into local government in Indonesia in pursuit of the project's fundamental objective of expanding more participatory, effective and accountable local governance. The following chapters examine the effectiveness of three aspects of local

governance, and their findings are summarized below:

- (i) **Involvement of citizens and other stakeholders in the formal local government planning process.** There have been considerable improvements in the quality of the planning process, particularly in the preparation, consensus-building and consolidation phases of the consultative planning forum (*Musrenbang*) for the development of the local government annual work plan and budget, where quality indicators registered a 30% improvement from 2007 to 2008 in districts surveyed by LGSP. These are in part the result of LGSP's focus on assisting jurisdictions to strengthen the quality of facilitation and improve the quality of upstream planning processes and documentation to ensure that local development plans better reflect community consensus. Translating priorities identified through this process into the formulation of the district budget remains a challenge. LGSP's more recent efforts have therefore focused on developing local regulations on participatory planning and other mechanisms to improve integration of plan priorities into budget formulation.
- (ii) **Citizen coalitions that engage with government either as advocates or partners.** Civil society coalitions are now engaging with government agencies in public consultations, budget hearings and multi-stakeholder task forces, and citizen groups are increasingly gaining the trust of responsive government officials. By developing CSOs' capacity for analysis, advocacy, and stakeholder management, as well as providing opportunities for local governments and citizen groups to work together, LGSP has encouraged citizens to constructively engage with the government

when the opportunity arises. In 2008, local regulations developed with citizen involvement were passed to support improved public service delivery in 20 LGSP-assisted districts, and over 170 CSOs collaborated to conduct budget analysis that they submitted to a local government body.

- (iii) **Emerging role of local councils in the local government budget process.** Local councils in a number of jurisdictions are now better able to analyze budgets and provide concrete suggestions for their improvement or reversing of negative spending patterns. Greater budget transparency is also providing a platform for civic engagement in the budget process. As a result, local budgets are becoming more sensitive to citizens' needs. LGSP training has given local councilors the confidence and skills they need to engage constructively with the executive in policy and budget matters, and to listen to their constituents when deliberating the local budget. In this way, local budgets can respond to citizen priorities and address poverty alleviation.

The first two chapters are based on specific assessments undertaken in 2008 to gauge—and better understand—the dynamics and effectiveness of citizen involvement in planning, budgeting and service delivery. The final chapter highlights the role of the third pillar of good governance—local councils—in their interaction with the local executive branch and citizens in budget formulation. In each case, LGSP's role in achieving improved outcomes, and the stumbling blocks it has encountered, are discussed.

A summary of LGSP's 2008 activities, accomplishments and operational challenges is provided in the Annex.

## I. District Planning Process: Improving Responsiveness to Citizen Priorities

### ***District Planning: Summary of Achievements***

- ✓ Nearly 30% improvement in quality indicators from 2007 to 2008 in the Musrenbang preparation, consensus-building and post-Musrenbang phases of the planning process.
- ✓ Doubling in the number of locations in which the majority of sectoral departments hold public consultations, with increasing use of performance indicators and targets.
- ✓ Upstream local council budget committee involvement—now beginning at the village level.
- ✓ Improved facilitation and organization of Musrenbang discussions and improved drafting of consensus agreements.
- ✓ Local development plans better reflect community consensus reached at the Musrenbang.
- ✓ Creation of a Musrenbang delegation forum to bridge the gap between the planning and budgeting processes.

Since the launch of decentralization, the principal instrument for public consultation introduced by the Government of Indonesia is the *Musrenbang* (*Musyawarah Rencana Pembangunan*), which is a multi-stakeholder consultation forum for development planning. The process brings together the needs identified through village and then sub-district level consultations, aggregates them by sectoral area (e.g. public works, education or health) and forwards them to the appropriate district agency to match with appropriate funding sources.

At the district level, the function of Musrenbang is to reach consensus on the final draft of the local government's annual work plan and budget (*Rencana Kerja Pemerintah Daerah* or RKPD).<sup>2</sup> This document is critical, as it contains the direction of regional development policy and priority programs and activities, including indicative work-unit budgets and programs, activities proposed for funding by the local and

provincial budgets, and village budget allocation proposals. It also contains the local government's macroeconomic and financial framework and recommendations for regulatory support from the provincial and central governments. The document is an important input to the budget development process.

To ensure that community proposals are forwarded to the district level, representatives from the sub-district meeting are required to attend the district-level meeting, as are representatives of the various sectoral departments. Representatives of civil society organizations, particularly women's groups and marginalized groups, are also encouraged to attend, and do so.

### **Musrenbang Assessment**

In 2007, LGSP conducted an assessment of Musrenbang in nine partner jurisdictions. In

## I. District Planning Process

2008, the assessment was repeated in the original nine jurisdictions and expanded to an additional 13 locations. The assessment provides a general picture of current implementation of Musrenbang, and identifies factors that fostered or inhibited achievements in the process.

The evaluation used a survey instrument for assessment and evaluation of Musrenbang implementation which was developed by LGSP in collaboration with the Ministry of Home Affairs (MoHA) planning directorate and adopted in a Ministerial decree (number 050-187/Kep/Bangda/2007). This instrument has been used by the planning directorate to help in assessing and evaluating the performance of Musrenbang implementation at both provincial and local levels and to assist provincial and local governments in identifying their own strengths and weaknesses in various aspects of Musrenbang implementation so that they can make appropriate improvements.

The assessment includes indicators for each of the four phases of the Musrenbang process—

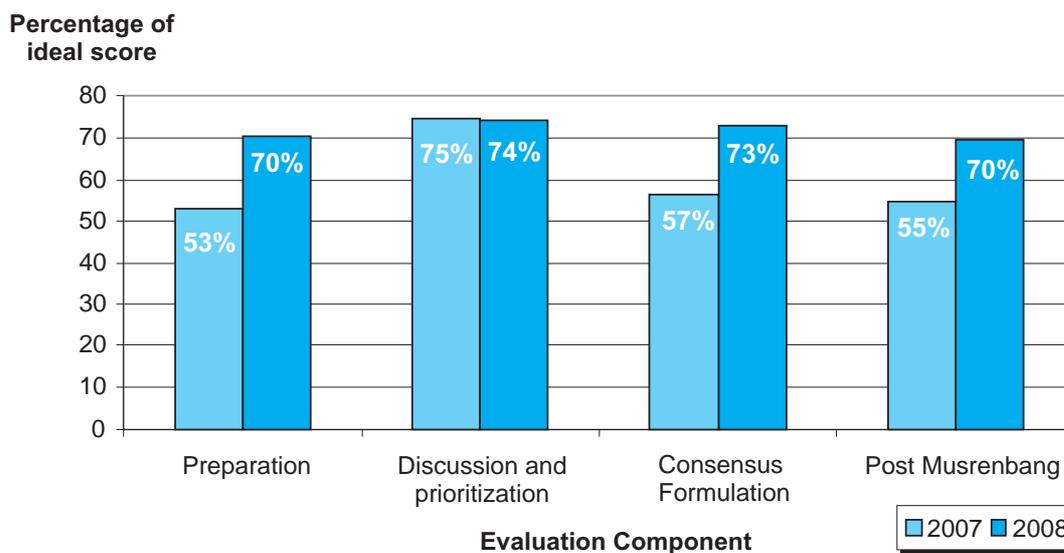
preparation, discussion/prioritization, consensus formulation and post-Musrenbang follow-up. By comparing changes over time in the initial nine locations, LGSP was able to understand more about the Musrenbang process, enabling it to target its assistance for the final year of the project more effectively.

### General Findings

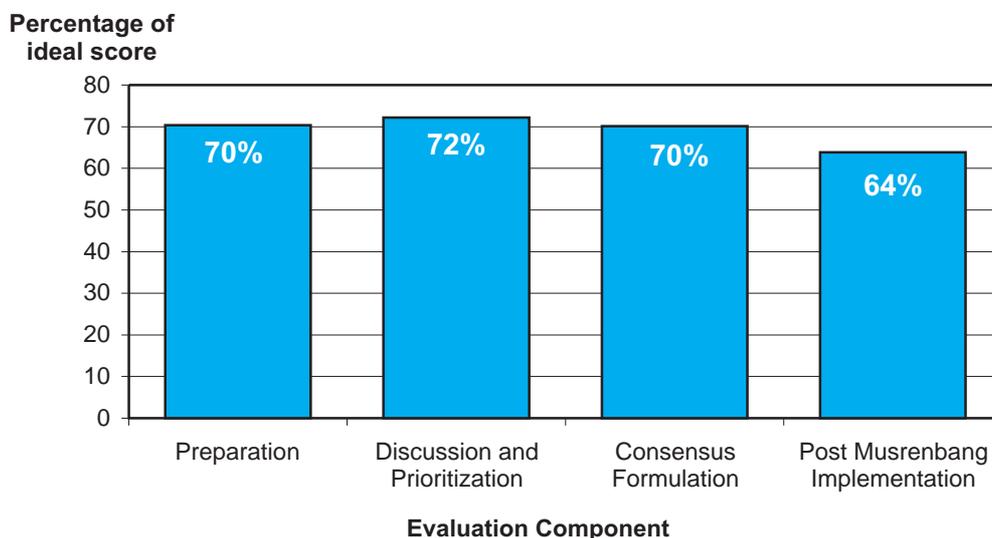
A comparison of the scores in 2007 and 2008 is shown in **Graph 1**. As the graph shows, there have been similar levels of improvement in the preparation, consensus building and post-Musrenbang phases of the planning process, while the discussion and prioritization step is consistently the highest-scoring phase.

Looking at all 22 locations surveyed in 2008 in **Graph 2**, the scores are consistent with the smaller sample for the first three phases of the Musrenbang process while lower for the post-Musrenbang phase.<sup>3</sup> Overall, development planning has made progress in all areas.

**Graph 1: Musrenbang performance 2007 and 2008 (9 locations)**



**Graph 2: Musrenbang performance in 2008 (all 22 locations)**



### Musrenbang Preparation

Preparation for Musrenbang consists of two phases: the sectoral department (SD) forum, where the individual sector agencies gather stakeholder input into their annual work plans; and the preparation and distribution of information for Musrenbang. Factors that measure success at these stages include holding the SD forum meetings in accordance with government policy, early dissemination of budget information and advance notice of meetings, development of targets and indicators, and inputs from village and sub-district meetings.

The SD forum is important for setting initial priorities with stakeholders, allowing the proposals that come from the “bottom-up” process to be more effectively incorporated into sectoral department targets. While the majority of Musrenbang proposals tend to deal with infrastructure needs such as roads or irrigation, the SD forum provides an important way for interested citizens to make their longer-term social development priorities in areas such as health and education known directly to the interested department. They can then play a

proactive role in helping prioritize the department’s program and activities for the year.

The percentage of locations with a majority of sectoral departments holding a public forum nearly doubled (from 28% to 50%) between 2007 and 2008. Not all sectoral departments yet have sufficient competence, time or financial resources to apply a participatory approach, and the agenda of others does not lend itself to stakeholder consultations. LGSP has focused considerable assistance on improving this important phase of the Musrenbang process through direct guidance to sectoral departments as well as to the local planning agency to build its capacity, through the creation of planning “clinics”, to advise the departments, laying the groundwork for sustainable technical support capability. For example, health sector guidelines were finalized in 2008 in collaboration with service providers from the Public Health Faculty at the University of Diponegoro in Semarang.<sup>4</sup>

The second phase of Musrenbang preparation—consolidating the outcome of the SD forum into a

## I. District Planning Process

planning document and sharing information prior to the Musrenbang—enables stakeholders to have enough information to make educated decisions, and to obtain it far enough in advance to read it carefully and be well prepared. Many local governments have enhanced the quality and timeliness of the information that they provide.

The local governments surveyed in both 2007 and 2008 all had distributed invitations and agenda to stakeholders at least seven days before the event. Moreover, these jurisdictions registered some important improvements from 2007 to 2008 in terms of providing more and better quality information to stakeholders. In particular, the number of governments where the majority of sectoral departments used performance indicators increased by 50% (from 44% to 64%) and of those using targets increased almost threefold (from 33% to 88%). In addition, the number of locations where a majority of sectoral departments reported on their progress for the previous year doubled (from 39% to 77%). Finally, the number of sectoral departments providing detailed budgets for the coming year increased by two thirds (from 44% to 71%).

What does this all mean? In the past, sectoral departments would often simply report their total budget for the coming year. For example, the education agency would report that it had a budget of Rp 30 billion (around US\$3 million). Citizens were given no idea what this money was to be spent for. Reports on the previous year's accomplishments were often equally vague. Concerned citizens might, for example, be able to obtain information on the number of schools built or repaired in the previous year, but not how much the work cost, where the schools were located, or how many children were actually attending them. For CSOs concerned about access to education and interested in knowing enrollment rates, the data was not helpful. Clear targets and indicators require more information on the goals of the unit and on how they intend to use their money. For example, an education agency with the goal of increasing enrollments would need to consider and report

on school location and enrollment rates. With the previous year's information in hand, citizens can have far more meaningful input in development planning. If detailed budget information is also available, they can work together to develop priorities, instead of just providing a "wish list" of activities. With more information available about where activities are planned, community members now have a greater incentive to be involved in the planning process and to monitor the budgeting process to ensure that their proposals are funded and ultimately implemented.

The dissemination of funding and budget ceiling information has also improved. This is crucial for determining whether priorities identified by citizens can actually be financed. LGSP actively encourages local governments to provide information about their performance in the previous year and funding information for the coming budget year, including estimates of total local government revenue and the draft village, district and sectoral budget ceilings.

However, a number of factors contribute to local government difficulty or reticence to convey budget information. Some locations simply resist financial transparency. Even those who favor transparency may have difficulty collecting financial information from central and provincial government agencies, which generally do not release figures until after the completion of the Musrenbang process. They may not have the resources to compile financial information in a useful format or they may not have clarified the specific rights and responsibilities of citizens in the financial decision making process. And even if all documents are well prepared, citizens may not understand the documents or attend the relevant meetings.

To address these challenges, LGSP educates the local planning agency on the documents needed in preparation for Musrenbang, providing specific support in the development of sectoral department plans and the local government's annual work plan. Dissemination of information is also being encouraged through the development of Public Information and Involvement Plans

(PIIP) on the planning and budgeting process (see Chapter III on Local Councils and Local Budgets for more details).

## Discussion and Prioritization

Measures of a quality discussion and prioritization process include involvement of the local council budget committee, facilitation by trained facilitators with sufficient time and materials, a suitable location for a large public meeting, and use of systematic tools to organize and prioritize community wishes, including presentations on national and local priorities and budget information. On average, the scores were very similar in 2007 and 2008, and were the highest scores of the four phases in both years. There has been both increased involvement of the budget committee and improved facilitation of the Musrenbang. Indicators which registered a decline were primarily those related to discussion of rules (such as criteria for prioritization of proposals) which had been decided in the previous year.

With LGSP support, budget committee involvement in the planning process has nearly doubled (from 56% in 2007 to 97% in 2008). This is important, since the budget committee is responsible for developing the budget framework documents (KUA-PPAS) and will ultimately approve the budget. By being involved in initial, community-level meetings, the committee can ensure that community needs and priorities are addressed in the budget preparation documents and the final budget. In addition, the presence of local councilors at Musrenbang creates political incentives for the council to find links between the results of consultations with their own constituents and Musrenbang priorities, and to implement the Musrenbang proposals in a timely fashion. In return, their presence helps to build public confidence in the institution.

In addition to encouraging local council presence at the Musrenbang, LGSP has also trained facilitators to assist with Musrenbang. As a result, the competence and qualifications of both government and independent Musrenbang

facilitators was rated satisfactory in nearly twice as many locations in 2008 (98%, compared with 56% in 2007). And the capacity of facilitators to gather opinions and stimulate discussion more than doubled (from 39% to 82%).

LGSP is encouraging clear linkages between the requisite financial forms by training facilitators to be aware of the budget categories and available funding sources so that they can more effectively link community proposals to the budgeting process and assign them a general source of funding. To do this effectively, they must structure the discussion in a manner which permits classification of priorities into the various budgeting categories (as opposed to just providing a list of proposals). With clearer priorities, local governments can respond better to funding fluctuations.

## Consensus Formulation

However inclusive the discussion of community priorities, it is ultimately only as good as the documentation that records the decisions taken and allows them to be linked to further budget development. Other factors in the success of the consensus formulation phase include a confirmation that the consensus agreements have taken a number of factors into account, such as gender and poverty alleviation. The average score for this phase increased from 57% in 2007 to 73% in 2008. All but two of the locations surveyed in 2008 had improved their score. Reasons for this improvement include improved facilitation and organization of Musrenbang and improved drafting of Musrenbang decisions.

High-quality facilitators not only increase effective discussion, but also contribute to more clearly drafted agreements as a result of those discussions. The number of locations with agreements that contained a clear list of proposed programs and activities, including their sources of funding (such as pledged community contributions) and the institutions responsible for implementation, increased by over a half (from 50% in 2007 to 78% in 2008).

## I. District Planning Process

In addition, LGSP support has improved the local planning agency's ability to develop draft district plans more in line with community priorities. The convergence between issues identified in these plans and the community priorities set forth in the consensus agreements has increased from 39% in 2007 to 97% in 2008, reflecting more careful preparation and improved dissemination.

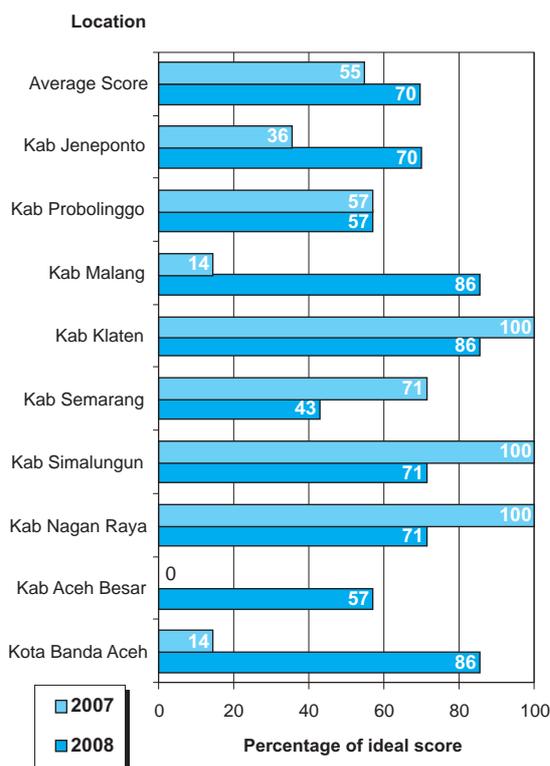
### Post-Musrenbang

The measures of a successful post-Musrenbang phase include clear plans to share outcomes of the Musrenbang with the local council, sectoral departments and district actors, to hold a public hearing on the budget framework documents and to publicize results of the Musrenbang process once it is clear which proposals have been funded. The average quality of the post-Musrenbang phase increased from 55% in 2007 to 70% in 2008 in the nine jurisdictions surveyed

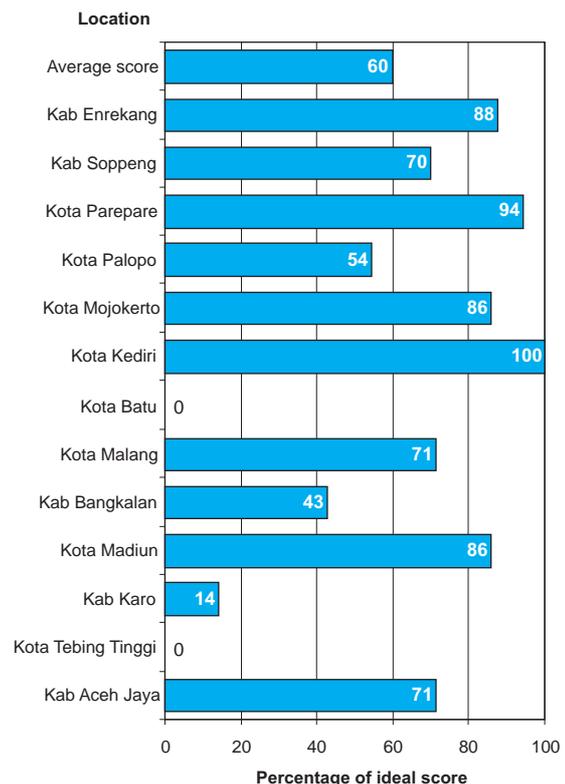
in both years. There was, however, substantial variation between locations, with four registering a lower score in 2008, as **Graph 3** demonstrates. The average score in the remaining 13 districts, shown in **Graph 4**, was less impressive (60%), but this was chiefly because two locations scored zero, and one scored just 14%. If these outliers are removed, the average score is similar to that in the initial nine locations.

Of the three 2008 locations (**Graph 4**) performing poorly, two were due to low levels of commitment to carrying the Musrenbang process forward. Weakening commitment was also a problem in some of the districts measured in both 2007 and 2008. Of the four locations whose performance declined in the 2007/2008 group (**Graph 3**), two were due to the replacement of the head of the local planning agency by a new leader who was not as aware of the process as his predecessor. In the remaining cases, the problem seems to be more linked to the relative lack of clout of the

**Graph 3: Post-Musrenbang phase in 2007-2008 (9 locations)**



**Graph 4: Post-Musrenbang phase in 2008 (13 locations)**



local planning agency vis-à-vis the local government and legislative council—if one party is weak, the process can collapse. And if the local planning agency lacks sufficient support, it may simply not push forward the process in order to avoid humiliation. For example, in Klaten, the Musrenbang results were not forwarded to the local council in 2008 because the council could not find time to schedule the meeting. In addition, while local planning agencies are generally committed to the initial Musrenbang process of gathering and documenting ideas, their proposals are often not linked to the budget process.

In brief, the quality of the post-Musrenbang phase depends on the political commitment of local leaders to transparency, accountability, and participatory budgeting. Changes in the top management of a local government may raise or lower commitment to participatory planning and budgeting. To reduce this fluctuation, LGSP supports local regulations that ensure greater continuity between the planning and budgeting phases of the cycle.

In addition, to strengthen the continuity of citizen involvement in the planning and budgeting processes, LGSP supports local partners in the development of local regulations that clarify the roles of citizens and CSOs in the budget process, particularly through the creation of a Musrenbang delegation forum. The delegation consists of Musrenbang attendees who follow the budget development and approval process and then advocate for the inclusion of Musrenbang results in the budget. This group can ensure that decisions made in the Musrenbang are actually funded. Half of the regions assessed have already established such a delegation; now the challenge is seeing its role maintained into the budget cycle.

Finally, even with good will among the players and better information sharing, it is difficult to effectively link the planning and budgeting processes due to the disconnect between the preparation of the annual work plan by the executive and the preparation of the budget

framework documents by the legislative. Increasing the council's involvement in the earlier stages of the Musrenbang process can help build commitment to carry through results. In addition, LGSP continues to encourage a public consultation during the formulation of the budget framework documents by the local council. Ideally, this would be attended by the Musrenbang delegation forum. More locations have now scheduled this public consultation.

## Conclusions

As the assessment shows, there have been considerable improvements in the quality of the planning process, including a nearly 30% improvement from 2007 to 2008 in the Musrenbang preparation, consensus-building and post-Musrenbang phases. Where performance had been in the 53-57% range, it is now 70% or higher for each of these phases, while discussion and prioritization has remained steady at nearly 75%.

The post-Musrenbang phase continues to confront challenges translating the outcome of the planning process into the budget development process, and it is difficult to determine which proposals are actually funded through the process. These problems arise in an environment where transparency is not always valued by government officials, and citizen oversight is difficult to ensure.

LGSP has therefore focused on the development of local regulations on participatory planning in general, and on the establishment of the Musrenbang delegation forum in particular, to bridge the gap between the planning and budgeting processes. The plan-budget linkage is also being approached from the budget stage of the cycle. In the budget formulation process, performance targets are being identified for substantive program achievements based on citizen priorities. LGSP has also worked on bringing local councils up to speed—more informed, more analytical and more committed—to enhance their role in translating plans into budgets. The following two chapters provide further insights into these efforts.

## II. Multi-stakeholder Forums and Civil Society Coalitions

### ***Multi-stakeholder Forums and Civil Society Coalitions: Summary of Achievements***

- ✓ Capacity building for CSOs in budget analysis and advocacy has resulted in increased oversight. In 2008, over 170 CSOs conducted budget analysis that was submitted to a local government body.
- ✓ LGSP helped CSOs to develop effective advocacy strategies and to put them to work in overseeing public service delivery.
- ✓ LGSP has identified key actors and brought them together to work for more effective and transparent governance.
- ✓ In 2008, 22 local regulations developed with citizen involvement were passed to support improved public service delivery.

The passage of Indonesian decentralization laws changed Indonesia's government overnight from one of the world's most centralized governments to one of the more decentralized. The scale of the change has presented challenges in itself as local government officials have both larger and different roles, often leading them to struggle to understand, accept and implement more open and participatory methods of governance that are such a departure from the previous top-down approach. Indeed, reform remains a politically risky venture for politicians in many locations. Citizens themselves are also working out what citizenship means under this new system after decades of authoritarian rule largely reduced citizenship to protest or passivity and closed most space for constructive citizen engagement with government. It is this space, now being expanded as Indonesia's government begins to settle more firmly into its new form, in which LGSP utilizes its training and advisory resources to promote civic engagement.

In 2008, LGSP undertook a study to gauge the efficacy of, and examine the challenges confronting, its various programs to bring local governments and civil society organizations (CSOs) to work together. These programs included CSO training on advocacy, planning and budgeting processes and budget oversight, as well as the establishment of multi-stakeholder working groups (comprising CSOs and local government actors) to identify needs and develop management solutions. These groups were founded on the idea that public input in the development of public services helps to ensure that public service delivery meets community needs. While these programs went far in addressing LGSP's core areas of focus—civil society strengthening, legislative support and strengthening, local government management systems, planning, and finance and budgeting—the study uncovered a number of challenges facing the development of partnerships and civil society coalitions in Indonesia. The findings of

the study, complemented by subsequent experiences, are described below.

### Participatory Planning: Turning Input into Action

LGSP supports civic engagement in the participatory planning process as a critical first step in ensuring government responsiveness to citizen needs. In addition to formal participatory planning mechanisms described in the previous chapter, actions undertaken to involve citizens in planning processes have included training civil society organizations and facilitators selected from CSOs to increase their knowledge of and confidence in participating in planning processes; facilitating public discussions and disseminating information through radio and TV programs to develop citizen input for a variety of public services; and organizing town-hall meetings.

As an example of the latter, in 2008, LGSP supported the holding of three large town-hall meetings—one in Jepara, Central Java, in January, another in Mojokerto, East Java, in March and the final one in Gowa, South Sulawesi, in October. Senior government officials and local legislators opened and fully attended these meetings, together with citizen forums, community-based organizations and key issue-advocacy organizations. The aim of these town-hall meetings is to complement and feed into the official Musrenbang planning events by better preparing citizens for both the sectoral department planning meetings (SD forums) and Musrenbang and by making the government cognizant of major citizen concerns.

While these events and actions have indeed identified ways to strengthen public services, local governments often lack the skill and commitment to incorporate this public input into planning documents. In addition, both CSOs and local governments sometimes lack the will or ability to ensure that planning documents are

carried to completion. To address these challenges, LGSP has assisted CSOs to be more active in specific aspects of the planning process, such as providing written input into development plans, conducting budget analysis and helping to develop local regulations on participation. It has also encouraged stakeholders in local government and CSOs to follow the example set by Gowa and Jepara, which established working groups following the town-hall meetings that will continue to interact with the government to ensure the proper and timely organizing of budgeting events.

### Analysis for Advocacy

A number of LGSP's programs are aimed at building the capacity of CSOs to conduct analyses of government budgets and service provision so that these CSOs are more readily accepted by government agencies as having their facts straight.

The success of these analytical activities is linked to the ability of groups to present information in a useful and strategic way, generally through well-sequenced advocacy activities. In 2006 and 2007, LGSP helped CSOs to organize themselves and develop effective advocacy strategies. In 2008, LGSP focused on advocacy campaigns, such as higher budget allocations for education and tracking of public expenditure on health care centers.

Success is also linked to the internal dynamics of CSOs and coalitions. For example, the momentum of a group's internal discussions and agenda can sometimes lead the group to lose sight of community needs. Coalitions can think big, which can be an attribute in getting items on the agenda, but can create difficulties in establishing ownership for carrying work forward. In addition, support given by LGSP to one or two members (usually those with the greatest analytical capacity) to implement a research effort can create tensions within the larger group by giving the perception that one group is

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avored. If these various dynamics can be sufficiently managed, there are clear benefits for the analytical activities undertaken: they provide clear information based directly on community perceptions of a need or problem. This, in turn, becomes an input that can help to set clear goals and shape the political agenda.

LGSP has worked to manage these dynamics in several ways. First, LGSP encouraged improved connections between CSOs by carrying out training sessions to help the development of common understandings (for example, of the government decision-making processes) and the use of standard advocacy tools. As noted in an external evaluation of LGSP undertaken in August 2008, “in general, those we talked to in all three ‘pillars’ (executive, legislative and civil society) found LGSP’s training program worthwhile and said that it had helped them significantly to understand and engage in local governance. DPRD and CSO members especially thought the training enabled them to hold their own in dealing with the executive on planning, budgetary and legal drafting matters.”<sup>5</sup> LGSP has also addressed the issue of mistrust among various CSOs by undertaking team-building and advocacy strategies that take into account the variations in CSO quality and mission. By encouraging transparent operations and the development of political mapping activities, LGSP is targeting its resources toward more reform-minded CSOs.

### **Public Service Delivery Analysis**

During 2007 and 2008, LGSP assisted CSOs in seven jurisdictions to employ citizen report cards (CRC) to measure user perceptions of public service delivery. Some of these have used the citizen report card in a particularly constructive manner, as illustrated by the case of Gowa in South Sulawesi.

In Gowa, the introduction of citizen report cards became an important turning point for a local civil society coalition to develop effective analysis, advocacy and ultimately dialogue with local

government. The CRC is an international best practice to improve public services and promote government accountability through a citizen scorecard. It is based on the premise that feedback on service delivery collected from actual users through sample surveys provides a reliable process for citizens and communities to engage in dialogue and partnership action to improve public services.

In late 2007, LGSP supported the civil society coalition Jaker-P3G (*Jaringan Kerja Pemerhati Pelayanan Publik Gowa*, a Gowa CSO network for public service monitoring) conducting the CRC survey in Gowa. The survey was conducted in two public sectors in which the Gowa government has committed to providing free services: basic education and health. The survey found, for education, that citizen satisfaction levels with services in elementary education were relatively high, while for higher education (junior and high schools) they were relatively low. In the health sector, citizen satisfaction levels with community health centers (*Puskesmas*) and out-patient care in public hospitals were comparatively high, while for dental care and mobile units they were still low. The survey also revealed low satisfaction with doctors’ treatments, the delays in responding to complaints, the excessive time spent in clinic visits, and a general lack of effectiveness in healthcare officers’ assistance.

After a public hearing with government officials, the mayor also became interested in the results. Newly elected to power and reform-minded, the mayor saw the CRC as an opportunity to shake up low performing government agencies. After a number of informal meetings between the mayor and the citizen coalition, the mayor finally agreed to discuss the CRC in a TV talk show with two civic activists from Jaker-P3G, hosted by a “neutral” LGSP staff. The mayor seized this opportunity to declare that “this survey is in accordance with the local regulation on transparency, and has proved that the local government of Gowa is truly engaging with citizens in monitoring public service performance.”

The government responded positively and constructively to the findings, and promised to follow up. A week later, the mayor invited Jaker 3PG to sit down directly with the local agencies for education and healthcare to explore their findings.

As an important aspect of a fact-based advocacy strategy, the CRC helped to raise public awareness on issues such as quality of service delivery and budget allocations. With the commitment to hold future public surveys, citizens in Gowa can now put their energy into providing meaningful input to local government agencies on the public service standards. The mayor has also become much more interested in collaborating with citizen groups, and in November 2008, the Government of Gowa and Jaker-3PG organized a town-hall meeting on government plans for education and healthcare services in 2009. By request of the mayor, the citizen report card survey will be repeated in early 2009.

As a final follow-up to the CRC, one of the CSOs in the Jaker-3PG coalition coordinated a budget tracking of the 2008 health agency budget. One of the issues identified is the risk of a lack of budgetary discipline among health agency officials, since there are several national programs that bypass the local budget and go directly to healthcare centers and hospitals, without any local oversight. One of the recommendations is thus to organize some form of community-based oversight over health programs.

As part of what is sometimes called a paradigm shift “from shouting to counting,” more and more groups are using fact-based advocacy and oversight. The monitoring of public services by using citizen report cards and tracking health agency expenditures has become a powerful tool for community empowerment that can lead to changes in government policy and practice. For the first time, backed by facts and numbers, civil society groups in Gowa and elsewhere have been able to sit down with government agencies and discuss public service improvements. This has also allowed civil society groups to engage in budget advocacy.

### ***Citizen-based Budget Analysis and Oversight***

Equipping CSOs with a basic understanding of how the budgeting process should work allows them to more effectively fulfill their oversight role, holding governments accountable to the basic—and legally mandated—standards of citizen participation and transparency. In 2008, LGSP continued to provide CSOs with hands-on technical assistance on budgeting and expenditure tracking, leading to improved accountability and greater discussion between the government and CSO actors on budget issues that had previously bypassed citizen oversight. In 2008, over 170 CSOs helped to conduct budget oversight of some form: either examining distribution of funds across a budget or doing a more detailed analysis of expenditures in a particular sector (e.g. health or education). In several cases, CSOs who had studied budgets with LGSP support were able to point to errors and discrepancies when or before a budget was presented to a local council. An example from Madiun city in East Java provides a particularly good example of citizen oversight that led to clear budget revisions and improved budget quality.

In Madiun, several local non-government organizations and citizen groups came together with LGSP assistance in 2006 to establish a civil society coalition to address key governance issues in the city. At the same time, a few reformist members of the local council were also working to provide copies of the budget to citizens and sub-district governments. In early 2007, LGSP trained the coalition in budget analysis and a core subgroup of members conducted a general analysis of the budget. They found discrepancies among the various budget documents as well as differences in the town’s various planning documents in terms of identifying local needs. Discrepancies were found in the budget allocations for certain activities and in the accounting codes being used to categorize expenses. (For some of the problems with local government budgets in Indonesia, see Chapter III on Local Councils and Local Budgets.)

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Members of the coalition were initially hesitant to share their results with the government for fear they would be labeled troublemakers. However, after much reflection and internal debate, the coalition decided to go ahead. The LGSP district coordinator arranged a hearing with the more reformist members of the local council. Impressed with the analysis, these local councilors then conveyed their own frustrations in trying to make the budget public, and the two groups began to talk about the need to develop further legislation to promote transparency.

The local council forwarded the CSO coalition's report to the finance agency, asking that the issues identified be addressed. The finance agency then requested each sectoral department to address the discrepancies identified in the report. A response was provided to the local council. While this review did not greatly affect the final budget allocations, it did reduce a number of gray areas in the budget documents that could have been exploited for corruption, and it also led to an improvement in the overall quality of the budget. In addition, it alerted the executive agencies that they were being monitored.

The Madiun local council was so pleased with the results that it asked the CSO coalition to help analyze the 2008 draft budget. Further, based on their discussion on transparency, members of the local council asked the coalition to work on a white paper setting out a draft local regulation on transparency. Importantly, trust and respect were also built between the two groups.

To mitigate the problems they had experienced with access to information and the analysis of complex documents, one of the NGOs in Madiun developed a software program called *Simranda* to make analysis of the budget documents easier. (For a more detailed description of this software, see Chapter III.) In 2008, LGSP also supported the CSO coalition in Madiun in carrying out a Citizen Report Card survey. With this tool and their new-found mutual understanding with the council, the coalition now plans

to push for greater budget allocations for basic public services.

Budget analysis remains a fairly sensitive topic, with some CSOs apprehensive that discussion of budget issues will damage their relationships with the government and, in some cases, with each other. Related to this, CSO members are often reluctant to "go public" with the results of their budget analysis. To address these fears of severing ties, LGSP has continued to stress transparency between all parties. As the case of Madiun shows, LGSP has been successful in bringing together committed reformers from the government, the local council and CSOs who might not have been able to identify with or trust each other in a larger forum. As the external evaluation noted, "There is no doubt that in the more advanced jurisdictions a greater and more knowledgeable involvement on the part of DPRDs and CSOs, buttressed by the media, have made the process of local governance more transparent."

### Multi-stakeholder Groups for Public Service Improvement: Increasing Buy-in

#### *Group Formation and Actions*

LGSP established a number of multi-stakeholder working groups to address the management of chosen public service delivery activities. The composition of the groups, which comprised members from the government, civil society and in some cases business representatives, reflected an attempt to develop "buy-in" and a joint response to a service delivery problem.

Following LGSP prioritization meetings in 2006 at which local governments were given the opportunity to choose assistance in areas of education, health, the environment or economic development, a second meeting was generally held with the chosen priority sector agency and CSOs working in the same sector, with the goal of further clarifying needs. For example, if health

was chosen as a priority sector in the prioritization meeting, then the second meeting might identify health insurance for the poor as a critical need within the sector. A multi-stakeholder group, usually drawn from both government and civil society, was then established to address the chosen service improvement. In the example of the development of a health insurance program, the group might include representatives from the local health agency, CSOs that work on health issues, and possibly members from the planning or legal agency.

With LGSP assistance, the group then undertook a more detailed analysis of the issue, including a review of existing laws, gathering necessary data, etc. This information fed into a needs analysis, which covered needs in terms of both service delivery and the management structures required for implementation. The group was then assisted to develop an action plan that they could follow to implement the public service delivery improvements they developed. Again, with support from LGSP, the group then worked to secure funding and, when necessary, create the structures needed to implement their solutions.

A large proportion of these multi-stakeholder groups have developed or are developing a local regulation, reflecting a propensity in Indonesia to propose legislation as a solution to problems or shortcomings in public service, since most actions by public authorities have to be sanctioned by a decree issued by the executive branch or local law passed by the local council. The challenge here is in ensuring well drafted legislation, staying the course in seeing legislation through given the considerable length of time and number of players required to draft and pass legislation, and actually implementing and enforcing the legislation once passed. In 2008, 20 local governments passed regulations to improve service delivery with LGSP support. LGSP has sought to facilitate the implementation of local decisions, and to enable stakeholder groups to monitor implementation and take corrective action when necessary.

Some multi-stakeholder groups have worked to develop or strengthen local institutions, such as complaint desks or bodies to provide finance to small and micro enterprises. In these cases, LGSP worked with the multi-stakeholder group to help them identify the support networks that the institutions they support or develop need to succeed. This might include linkages to banking institutions to provide financing for schemes established to assist poor people access health care or micro enterprises access credit. In the case of complaint desks, their linkages to and from the sector agencies that must handle complaints need to be in place, as should links to local councils or CSOs that can provide oversight or pressure if the local government is not responsive.

#### ***Effectiveness of Multi-stakeholder Groups***

The effectiveness of these groups depends significantly upon the credibility of the group addressing an issue and the ability of its members to navigate power differences, both within and outside of the working group. Other factors affecting success of the group's pursuits include the development of clear goals for the group's work, the documentation of the results of pilot work, and follow-through to completion.

In a study of multi-stakeholder groups it assists,<sup>6</sup> LGSP found that CSO representatives sitting on a working group often face challenges in working with government counterparts in the group, on the one hand, and resentment from other CSOs that were not part of the group on the other. Other groups' initial intent got "hijacked" by one dominant member of the group who lost sight of larger community needs as they pushed an agenda mandated by their organization. For example, although expanded access to education for poor people was the initial objective of a multi-stakeholder group in Sukabumi, West Java, the CSO representing education for the blind managed to steer the group toward lobbying only for that particular target population.

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While multi-stakeholder groups were often good at initiating a response to a problem, they were often less effective at ensuring its implementation. This was due largely to the difficulty in establishing ownership for particular items on the agenda. When ownership needed to be taken on by government agencies, the government members of the group also needed to navigate their own bureaucracy, which was not always straightforward or easy. These hurdles were compounded by instances in which activities started on a pilot basis, but metrics of success were not established and results were never tracked to determine if the activity warranted scale-up or wider dissemination of successful outcomes. Without evidence of success, some groups lost the momentum or tools to advocate for the budgets needed to move the program to a sustainable scale.

LGSP has addressed these challenges in a number of ways. First and foremost, LGSP was able to play an important role as a convener, bringing different parties together and helping them to focus on clear tangible goals and outcomes. Where issues arose in regard to group dynamics and credibility, LGSP sought to overcome the differences by helping to identify and develop meaningful roles for all actors, whether they were part of a working group or not.

LGSP was successful in some jurisdictions in encouraging the articulation of clear goals and use of data to help frame problems and develop clear solutions. However, in retrospect, it was initially less vigilant than it should have been in assisting the groups to establish clear indicators at the outset and to document initial outcomes. In 2008 LGSP therefore assisted the multi-stakeholder groups undertaking service improvement plans to ensure that they had formulated attainable service improvement indicators and performance criteria, and to establish action plans for achieving these targets. For example, in five community health clinics in Deli Serdang, North Sumatra, citizen charters displayed on the wall now spell out the quality of services that customers can expect.

In some instances, LGSP assistance helped groups to complete work that they were unable to finish on their own, the parties having reached an impasse. This was the case regarding the finalization of a regulation on education in Kediri, East Java, where the need for a regulation had first been broached back in 2001, but the local government and CSOs had been unable to find common ground. With LGSP support, they were able to work together to identify needs in the city, and develop a regulation in response. Several groups attested that LGSP helped them rally around a cause, gain political clout, get decisions passed, and action plans and budgets approved.

### Conclusions

The capacity and quality of CSOs varies significantly both within and between locations. Not all CSOs are genuinely committed to improving governance, a problem which can cause tension within the CSO community. In addition, while LGSP has helped many CSOs move from “protest politics” to more substantial engagement with local governments, there remains a tendency for some CSOs to focus more on extracting short-term benefits from government officials in the form of increased budget allocations or public services for a particular social group rather than on the broader issue of holding public officials accountable for their actions (or inaction) in ways that would encourage them to perform their responsibilities consistently and effectively. Finally, although productive relationships between local government actors and CSO members have developed in many locations, local government actors operate in an environment that does not generally support participation, transparency or accountability.

Nevertheless, with LGSP assistance, civil society coalitions are moving away from the old pattern of “protest politics” and are now engaging with government agencies in public consultations, budget hearings and multi-stakeholder task forces. With new skills in using objective analysis and factual information as the basis for

advocacy, citizen groups are increasingly gaining the trust of responsive government officials. LGSP's assistance to civil society actors and their reform-minded counterparts in local government, as described in the examples above, illustrates the importance and potential impact of developing CSO capacities for analysis, advocacy, and stakeholder management. Armed with these

new tools, they have been willing to engage with government when the opportunity arises, reflecting a maturation among civil society activists who have heretofore been highly distrustful of state actors, and have tended to see their role as opposition to the state, rather than engaged participation.

## III. Local Councils and Local Budgets

### ***Local Councils and Local Budgets: Summary of Achievements***

- ✓ Improved capacity of council members to analyze budgets and provide concrete suggestions for improvements.
- ✓ Local budgets that are becoming more sensitive to citizens' needs and local governments that are becoming better stewards of public money.
- ✓ Improved transparency in the budgetary process, as the result of adoption of budget information and involvement plans and passing of local regulations on transparency.
- ✓ DPRD members who are becoming "more adept at dealing with the executive, partly because of increased skills acquired, but equally (and perhaps more so) because of increased confidence created as a result of the [LGSP] training."

The general objective of LGSP's legislative strengthening program is to improve democratic governance at the local level through assisting members of local councils (DPRD) to become more effective, participatory and transparent in performing their core functions of lawmaking, budgeting, and executive oversight. This section of the 2008 annual report focuses on the role of local councils in the budgetary process, in which the LGSP intermediary result framework is to strengthen local council capacity to inform and solicit citizen input on key local governance and resource allocation decisions.

Public budgets are key policy and governance instruments. A budget prioritizes between competing demands, and allocates scarce public funds to competing public services. By listing how money is spent, a budget also describes what a government does. Ideally, a public budget should reflect citizens' wishes for what the government is to do in the coming period. The overarching aim of LGSP's work in the budgetary

field is to make the local budget (APBD) more responsive to citizen priorities and ensure that funds are used efficiently and transparently. This includes working with government agencies to improve their capacity for developing integrated plans and budgets that are more transparent and accountable to the public, supporting the role of the local council in drafting and monitoring public budgets, and building the capacity of civil society to advocate for more responsive budget allocations and to promote budget transparency in drafting and implementation.

During 2006 and 2007, LGSP's assistance to local councils in the field of budgets aimed at demystifying the complex budgetary process, raising awareness, and empowering councilors to carry out their duty of negotiating the budget with the local government. In 2008, LGSP's assistance focused primarily on applied budgetary skills, such as budget analysis, providing concrete suggestions on budget revisions, and ensuring better budget allocations. During the year, the

program gained serious traction, with many positive achievements. As noted more broadly in a March 2008 LGSP publication (*Good Governance Brief: The Role of DPRDs in Promoting Regional Autonomy and Good Governance*), a willingness to reform and to take on new practices has become evident among many local councilors in LGSP's jurisdictions. Progressive and reform-minded local councils are increasingly committed to listening to citizens not only during campaigns but as an everyday practice. Many of the new local councilors are responsive and innovative, and understand the problems that give rise to distrust in politicians. Some of the innovations and achievements in 2008 follow.

### Budget Literacy and Analysis

One of the prominent themes of LGSP in 2008 was providing advanced training and hands-on technical assistance to the local council to enhance the full budgeting cycle (from preparation through to oversight and reporting). Budget documents for the past five years were used as the basis for the case studies reviewed. Revenues, expenditures and financial policy have been analyzed from a socio-economic perspective. Following LGSP training, legislative budget discussions became more dynamic in each jurisdiction, leading to increased local council input being accommodated in the draft budgets, as discussed below. As noted by the LGSP external evaluation, in the most advanced LGSP districts, the local council "proved able to push back the executive in planning and budget matters and to initiate legislation by itself. In districts making less but still significant progress, it could engage the executive meaningfully, and a little further down the scale it showed signs of asserting itself against the bureaucracy."

LGSP's experience in Kaimana (West Papua) illustrates the shift in capacity and commitment of local councils that took hold in 2008. In one of the basic training sessions on analyzing the 2006-2008 budgets for Kaimana's local council, legislators were disturbed to discover some of

the negative trends in recent spending patterns. They admitted that this was the first time they had seen a comprehensive analysis of the budget. In the past, they had only ensured that the projects for their communities were included in the budget. They did not have the skills or support to do a proper analysis. The meeting ended with a commitment to utilize their new skills in reviewing the 2009 budget.

In order to consolidate some of these achievements, LGSP collaborated with Revolvere, an NGO in Madiun, Central Java, to design and publish an open-source software application for analyzing local budget information. First, a database is compiled of core budget figures taken from old budget documents (the data can be inputted by local civil society partners in 3-4 days). Then, a simple analysis is conducted to measure the consistency of planning and budgeting documents, and to track the expenditures of particular local agencies, overall spending trends, and fund allocations for pro-poor or gender-responsive programs. Councilors have shown considerable interest in the software, since it allows them to do a basic analysis of a draft budget with just a few clicks of a mouse button. Another benefit is that the local council and citizen groups can use the database to compare several years of local budget figures. The application was developed in 2008 and will be piloted and rolled out in early 2009.

### Initiatives to Encourage Transparency and Citizen Engagement

In the area of budget transparency, local councils in several LGSP jurisdictions are collaborating with citizen groups and the local government to improve public access to local budgets by publishing local budgets on posters and in local newspapers, holding interactive radio talk shows and drafting local regulations on transparency and participation. This supports citizen collaboration with local councilors and budget analysis. LGSP has developed a prototype Public Information and Involvement Plan (PIIP) to foster

### III. Local Councils and Local Budgets

transparency and participation in the planning and budgeting processes. The PIIP is a tool for the local government to inform the public about budget and services as well as a means to generate feedback to accelerate the budgeting process. In 2008, PIIPs were incorporated in local regulations in Parepare, Boyolali, and Probolinggo, while regulations on transparency and participation were approved by local councils in Palopo, Enrekang and Probolinggo.

Meanwhile, members of the local council in Madiun, East Java, have also been pushing for greater budget transparency. In 2006, they tried to publish the local budget, but were initially blocked by the executive. Ultimately, they had to use personal funds to copy and distribute the budget document to all neighborhoods. Following local council collaboration with LGSP, the executive is now prepared to grant access to its budget drafts. The council also urged the executive to follow the regulations more closely and be more transparent, demanding a detailed activity breakdown before they would discuss budget allocations. The executive was thus persuaded to produce the budget framework documents on time and of good quality. In late 2007, reformist local councilors who were working with citizen groups during one LGSP training session found discrepancies in the 2008 budget draft. Together, the two groups conveyed their concerns to the Madiun finance agency for clarification. This alerted the executive branch that it was being monitored, and in early 2008 it revised the budget.

Sometimes transparency works the other way, with councilors being initially reluctant to share public documents. In Manokwari in West Papua, members of local CSOs could not obtain copies of any budget documents, even the approved budget, which by law is a public document. While participating in a joint LGSP training program with civil society representatives concerning budget trends over the past few years in Manokwari, local councilors realized the value of involving non-governmental stakeholders in budget analysis. That same evening, the local council

released budget documents for prior years, through LGSP, to local citizen groups.

Budget transparency thus provides the platform for civic engagement in the budget process, with collaboration between citizen groups and the local council leading to proposals for the executive government to consider. In late 2007 the Banda Aceh local council published its draft local budget in a local newspaper to obtain feedback from the public. The local council budget committee spearheaded this initiative after participating in focus group discussions facilitated by LGSP and the Participative Policy Coalition. In 2008, the Banda Aceh local council organized a budget hearing at its own initiative.

#### Appropriate Budget Allocations

LGSP endeavors to ensure not only that the budgetary process is transparent and participatory, but also that funds are appropriately allocated. What is considered “appropriate” is of course open to interpretation. In Indonesia, pro-poor policies and support for basic public services are key elements of the national agenda to fight poverty. Citizen groups and local councilors often attempt to increase allocations to poor families, and ensure that the government provides good yet inexpensive healthcare and education. The external evaluation notes that “helped by the knowledge gained from LGSP training, some DPRD members [have] become able to insist on changes in plans and budgets, for example, demanding that improperly formulated budgets conform to [national] regulations.”

In 2007 in Boyolali, after budget monitoring training from LGSP, the local council persuaded the executive to cut its fixed expenditures by 13 billion rupiah—a significant amount, considering that Boyolali’s 2007 health budget for the poor was only two billion rupiah. The local council had identified many errors in the budget. This made the executive more prudent when submitting the following year’s draft budget in 2008: “The local

government budget team is becoming more transparent and rational in budget drafting. This is a very good development for Boyolali,” says the Chairperson of Boyolali local council. To bolster the budget process, the Boyolali local council has also passed a new regulation that requires the local government to be transparent in its financial management and to involve citizens in monitoring its activities. The local council worked closely with LGSP in preparing this regulation, utilizing workshops and practical training to enhance councilors’ overall understanding of finance and budgeting issues.

A common problem in Indonesia is the under-utilization of local budgets due to the inability of the government to properly allocate and maximize the use of funds. An important role of the local council is to ensure that all available funds are actually allocated. In July 2008 LGSP organized a workshop in Aceh Utara to analyze the budgets for the six LGSP jurisdictions on the east coast of Aceh. In the 2008 budget, less than half of the revenues were allocated for public spending, of which close to 60 percent was for salaries. This shocked councilors, and they became much more pro-active in discussing the 2009 draft budget. Through consultations with the government, they obtained the draft budget much earlier. In collaboration with a civil society coalition that had also been trained by LGSP, the local council then advocated for higher program allocations in the key education, healthcare and agriculture sectors.

Another common problem is that the Musrenbang community planning forums often consist of little more than a “wish list” of proposals drafted at village and sub-district meetings.<sup>7</sup> To address this issue, the local councils in Parepare, Gowa, Soppeng and Enrekang (South Sulawesi) have approved indicative budget allocations for villages and sub-districts in the 2010 budget. This means that funds will be earmarked for each village and sub-district, ensuring that particular proposals

from the Musrenbang will be funded. As part of this planning phase, LGSP has encouraged local councilors to reach out to their constituents during council recesses, and to actively participate in Musrenbang.

### Bringing Stakeholders Together

As noted above, enhanced awareness of the technical and political aspects of the budgeting process has led local councilors to become more assertive and pro-active in negotiating the budget. However, one result of their new interest is that what was a formerly fairly straight-forward budget approval process has become more complex and contentious. There is also a concern that increasing the legislative branch’s influence on budgets may lead to a deterioration of fiscal discipline, with pork-barrel projects being introduced by legislators in order to please certain constituents. To discourage this, LGSP has pushed for the timely approval of budgets and stressed the need for fiscal prudence.

By way of illustration, in Kediri, East Java in 2007, the local government for the first time released its budget framework documents to the local council according to the budget calendar timetable—a major step in translating participatory planning results into local budgets. In 2008, LGSP provided intensive assistance during the discussion and preparation of the budget framework documents, and successfully encouraged the Kediri government to meet the budget timetable by delivering the draft 2009 budget on time to the local council for review. The head of the local planning agency was surprised to get questions from the legislators regarding the budget framework documents: “Legislators used to sit in silence during these discussions, but now they are asking sharp analytical questions, and providing good input to the draft,” he said. The 2009 budget was ultimately approved by the local council on schedule in December 2008.

#### Conclusions

Despite the many advances discussed here, a fundamental shift to more responsive and citizen-oriented budgeting has not yet occurred at the local government level across Indonesia—and even in some LGSP-assisted jurisdictions. Many local councilors are still not convinced that local budgets should be based on citizen needs and priorities. The budgeting process is still dominated by the executive and it has been difficult to tie the budgeting process to national programs for poverty alleviation and good governance.

LGSP has also found that budget oversight by the local council remains weak. If one role of parliament is to hold the government accountable, then the legal authority of the local council to amend and oversee budgets should be applied. But increased authority necessitates increased capacity, which LGSP has addressed by providing training on executive oversight and drafting a handbook for councilors on executive oversight, to be published in 2009.

The external evaluation of LGSP observed that “in general, LGSP’s training enabled DPRD members to become more adept at dealing with the executive, partly because of increased skills acquired, but equally (and perhaps more so) because of increased confidence as a result of the training.” Among more advanced districts, the local council has begun to push back against the executive in policy and budget matters. LGSP-assisted local councils are also involving citizens more in drafting policies and budgets.

2008 was a pivotal year for LGSP in achieving these positive outcomes. Continued efforts are needed to further strengthen the technical capabilities of the legislators, both to improve the quality of their analysis and to enhance their confidence in dealing with the executive branch. Of equal importance are efforts to encourage local councils to listen to their citizens when deliberating the local budget so as to ensure that expenditures at the local level respond to citizen priorities and address poverty alleviation.

## Annex: Summary of Activities, Accomplishments and Operational Challenges in 2008

### Achievements

2008 was a year of considerable gains in which LGSP largely met its work plan objectives and completed most activities planned, as well as responding to additional requests by national and regional partners.

**Regional accomplishments.** The programs in the regions aimed to provide more targeted technical assistance and clinics, following the earlier emphasis on district-level training workshops. Now in the third year of supporting Musrenbang activities, LGSP witnessed greater participation and broader inclusion of stakeholders in the formal Musrenbang, sectoral department planning meetings and other participatory planning forums.

LGSP-supported initiatives also sought—and achieved—more integration across program areas, as well as more extensive learning across districts once experience had been gained and innovations developed by local partners eager to share them. Instruments piloted or adopted which furthered integration across thematic areas included the development of Public Information and Involvement Plans (PIIPs) in a number of districts to strengthen budget transparency as well as other instruments to strengthen citizen engagement in the budgeting process; piloting of Integrated Planning, Budgeting and Reporting (in Kota Batu); and development of citizens' forums to engage with local councils in the budget process. A number of workshops and conferences across themes and districts worked to develop formal and informal coalitions and networks; examples include a successful workshop of 15 jurisdictions undertaking service improvements for small and medium enterprises;

a workshop to build local council-citizen coalitions for more innovative local council practices; a national conference on citizen engagement and participatory governance to improve public service delivery; and development of a province-district communications forum of finance officials in Aceh to strengthen intergovernmental linkages between the two tiers of government.

LGSP organized<sup>8</sup> a study tour of district managers and mayors from LGSP-supported districts to the annual conference of the International City and County Managers Association (ICMA) and neighboring cities in Pennsylvania, USA, which energized these reform-minded mayors to carry through further innovations in their home districts thereafter.<sup>9</sup>

LGSP also extended several regional programs during the year. Implementation of small provincial programs for West Sumatra and West Java extended LGSP achievements in those provinces following the close of district-supported LGSP programs the previous year. In Aceh, at USAID's request, LGSP instituted collaboration with the provincial government by placing two planning and finance specialists in the planning/finance service office. With a grant to RTI International from the Multi-Donor Fund for Aceh and Nias, LGSP activities were extended to an additional six districts of eastern Aceh. And in West Papua, where LGSP began implementing a USAID-BP Berau Ltd Bird's Head Governance Initiative in 2006, the program was expanded from three to five districts and discussions launched for expanding the program further to assist the provincial government.

Quantitatively, the project achieved the following:

- 23 out of 35 local councils supported by LGSP reported that they have organized public hearings or town hall meetings on budgets and development plans.
  - A total of 174 civil society organizations in 22 locations helped to conduct budget advocacy and analysis. 96 CSOs in 15 locations conducted oversight on issues of public service delivery.
  - Nearly all LGSP-supported local governments have developed a performance-based budget with LGSP assistance. In addition, 33 local governments are more accurately reporting on their budget with the production of at least one formal financial report with LGSP support.
  - 24 local governments developed more participatory annual work plans, and the same number developed more participatory plans at the sectoral department level with LGSP assistance.
  - In conjunction with service improvement action plans being implemented in 35 locations, 20 local governments have sought to institutionalize the improvements through the passage of local policy statements such as local regulations or citizen charters.
  - 31,305 individuals have benefitted from training and technical assistance<sup>10</sup>.
  - Of those trained, 27% were women, a relatively high figure given the low proportion of women engaged in government and civil society organizations.
- Participatory planning guidelines developed with significant LGSP assistance to the Ministry of Home Affairs (MoHA) for formulating annual development plans at district levels were codified into a MoHA decree (SE Mendagri 050/200/11/Bangda) in February 2008.
  - LGSP sponsored a fact-finding mission for national capacity-building officials to gather information to formulate recommendations for the draft presidential regulation on a national framework for capacity development.
  - LGSP collaborated with the Bappenas-led Good Governance Index (GGI) team to test the GGI application, with the aim to incorporate the tool into other self-assessment evaluation instruments being developed by the Government of Indonesia, in particular the monitoring and evaluation work led by MoHA.
  - The governance directorate at MoHA endorsed the training materials developed by LGSP with the University of Gadjah Mada<sup>11</sup> for public service contracting, in conjunction with a government regulation on regional cooperation issued in 2007, a ministerial regulation issued in 2008 on the clustering (classification and categorization) of training provided by MoHA, and a ministerial regulation containing technical guidelines for implementing regional cooperation, which has been drafted with LGSP support and will be issued in 2009. LGSP brought together local partners to provide feedback to MoHA on the revision of Law 32 on local governance, as part of the consultative process to solicit regional input, particularly in regard to a proposed new section on citizen participation.

**Progress with national partners.** Moreover, progress has been heartening in consolidating accomplishments in assistance to national partners to further strengthen the enabling environment for effective decentralization, which was added to LGSP's intermediate objectives in FY07. The goals for the year emphasized strong collaboration with GOI, and achievements in this area included the following:

In addition, LGSP documented good practice and experience gained in a number of areas and finalized a wide range of training materials and technical publications during the year: 30 titles have now been published, of which 20 were produced during 2008. Finally, the program

continued to collaborate with other USAID programs (notably HSP on health planning) and other donors, placing a full-time adviser in the Decentralization Support Facility, as well as with a wide range of institutions—associations and universities included—to disseminate its practices and materials.

## Challenges

Several specific areas of sustainability challenge stand out, including the following, with a brief description of how LGSP will address these in 2009:

- While improvements in the Musrenbang process have been observed in some places, it still remains a perfunctory forum in many jurisdictions for a variety of reasons—political machinations, attitudes of governments and civil society toward one another, weak data to underpin the prioritization of resources, and weak facilitation in some jurisdictions. In 2009 LGSP will focus on strengthening the links between planning and budgeting so that the outcome of participation in Musrenbang yields more tangible results.
- Work in West Papua has proven to be more difficult than anticipated for a number of reasons: weak infrastructure and communications, nascent civil society organizations, distrust between branches of government, general low level of development, and difficulty attracting and retaining staff. In addition, a proposed West Papua governor's regulation on how donors operate in West Papua poses further constraints in respect to LGSP's implementation options in the province. In response, LGSP has strengthened program management, the provincial dialogue and provision of technical assistance.
- One of the principal tenets of LGSP's design was to progressively rely on service providers (generally consulting services) who can provide advisory support and capacity building. However, identifying viable service providers who have expertise and for whom there will be a sustained demand for services is proving more difficult than envisaged. LGSP will produce a service provider assessment in early 2009 to articulate challenges and opportunities to address this challenge.
- A challenge identified last year remains in one of LGSP's primary areas of work—strengthening of civil society organizations and local councils—where there is not a natural GOI ministerial sponsor, given that civil society organizations and to some extent the local councils fall outside the direct responsibility of national ministries. In 2009 LGSP is working with other partners (DRSP, GTZ ASSD) to determine potential entry points.
- As a result of ambiguities in Law 32 regarding the role of the provincial governments, development of programs at provincial level has been more challenging than anticipated: the roles and responsibilities of provincial and district administration do not necessarily mirror one another nor is there a reporting/accountability relationship between the two in many areas of governance. District level programs supported by LGSP have therefore not been easily scaled up to the provincial level. LGSP will work with provincial government where there is a demand and a logical link with district level support already provided.
- Identifying target areas of meaningful collaboration with national and regional training institutions (LAN and Bandiklat) has proved challenging given their varying mandates and capacities to develop, sustain or market their programs. LGSP is therefore focusing future effort primarily in the area of participatory approaches to training and facilitation which can be applied across the board to Bandiklat programs without requiring prior vetting and legislation passed by technical departments of MoHA.

## Endnotes

- <sup>1</sup> World Bank Internal Evaluation Group, *Decentralization in Client Countries: An Evaluation of World Bank Support, 1990-2007*, Washington, DC, August 2008: [http://siteresources.worldbank.org/EXTDECENETR/Resources/Decentr\\_es.pdf](http://siteresources.worldbank.org/EXTDECENETR/Resources/Decentr_es.pdf)
- <sup>2</sup> The Musrenbang are also held in conjunction with medium-term strategic plans (RPJMD) and long-term development plans (RPJPD). Only the RKPD Musrenbang process is discussed in this report.
- <sup>3</sup> The post-Musrenbang phase scores lower because three locations scored poorly. If these underperformers are dropped, the average score is similar to that in the original nine locations.
- <sup>4</sup> Inputs were also provided by the USAID-assisted Health Services Program (HSP).
- <sup>5</sup> United States Agency for International Development (USAID)/Indonesia: *Local Governance Support Program Evaluation Report*, September 2008. Subsequent quotations appearing in the LGSP Annual Report not specifically attributed to another party refer to this evaluation report.
- <sup>6</sup> Local Governance Support Program: *Engaging with Local Government in Indonesia: Multi-stakeholder Forums and Civil Society Coalitions-Lessons from Selected LGSP Jurisdictions*, September 2008.
- <sup>7</sup> See *Good Governance Brief: Musrenbang as a Key Driver in Effective Participatory Budgeting*, LGSP, June 2007.
- <sup>8</sup> ICMA was responsible for organizing the program in the US, with financial support from the USAID-supported Human Institutional Capacity Development Project (HICD).
- <sup>9</sup> For example, the Mayor of Gowa District collaborated this year with citizen groups undertaking Citizen Report Cards in his district, with LGSP support.
- <sup>10</sup> "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.
- <sup>11</sup> Specifically, University of Gadjah Mada's Center for Economic and Public Policy Studies (PSEKP-UGM)

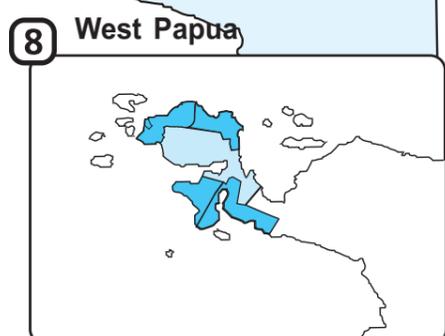
## Abbreviations and Acronyms

Acronym	Indonesian	English
APBD	<i>Anggaran Pendapatan dan Belanja Daerah</i>	Local Government Revenue and Expenditures Budget
Bandiklat	<i>Badan Pendidikan dan Pelatihan</i>	Government Training Agency
Bappeda	<i>Badan Perencanaan Pembangunan Daerah</i>	regional planning agency
Bina Bangda	<i>Bina Pembangunan Daerah</i>	planning directorate at MoHA
CRC		Citizen Report Card
CSO	<i>Organisasi Masyarakat Warga</i>	Civil Society Organization
DPRD	<i>Dewan Perwakilan Rakyat Daerah</i>	Local Legislative Council
DRSP		USAID's Democratic Reform Support Program
GOI		Government of Indonesia
GTZ		German Technical Cooperation
HSP		USAID's Health Services Program
KUA-PPAS	<i>Kebijakan Umum Anggaran Prioritas Plafon Anggaran Sementara</i>	General Budget Policy and Temporary Budget Ceiling (budget framework documents)
LAN	<i>Lembaga Administrasi Negara</i>	Indonesian State Administration Agency
LGSP		Local Governance Support Program
Musrenbang	<i>Musyawahar Perencanaan Pembangunan</i>	Development Planning Stakeholders' Consultation Forum
MoHA		Ministry of Home Affairs
PIIP		Public Information and Involvement Plan
PUM	<i>Pemerintahan Umum</i>	governance directorate at MoHA
RKPD	<i>Rencana Kerja Pemerintah Daerah</i>	Annual Local Government Work Plan and Budget
SD	<i>Satuan Kerja Perangkat Daerah (SKPD)</i>	Local Government Sectoral Department
USAID		United States Agency for International Development

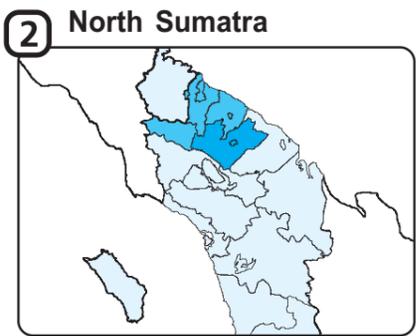
# LGSP REGIONAL SITES



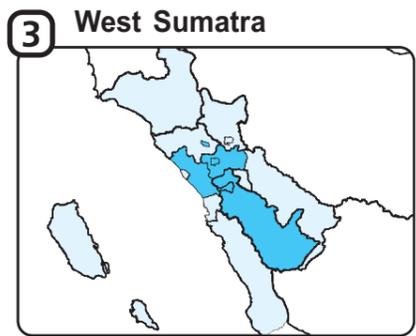
- 1 Nanggroe Aceh Darussalam**
- Participating Local Governments:
    - Aceh Barat
    - Aceh Besar
    - Aceh Jaya
    - Kota Banda Aceh
    - Nagan Raya
  - SPADA:
    - Pidie Jaya
    - Aceh Utara
    - Aceh Timur
    - Pidie
    - Bireun
    - Tamiang



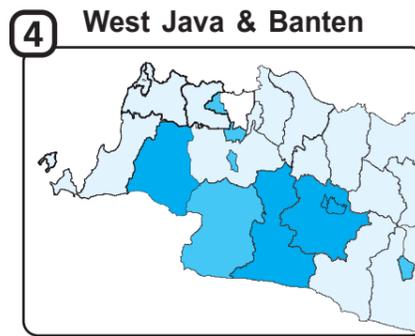
- 8 West Papua**
- Participating Local Governments:
    - Kota Sorong
    - Manokwari
    - Fakfak
    - Sorong
    - Kaimana



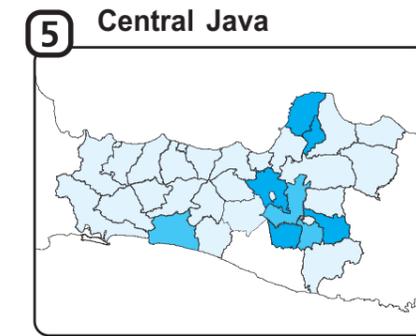
- 2 North Sumatra**
- Round 1:
    - Deli Serdang
    - Karo
    - Serdang Bedagai
  - Round 2:
    - Kota Binjai
    - Kota Pematang Siantar
    - Kota Sibolga
    - Simalungun
    - Kota Tebing Tinggi



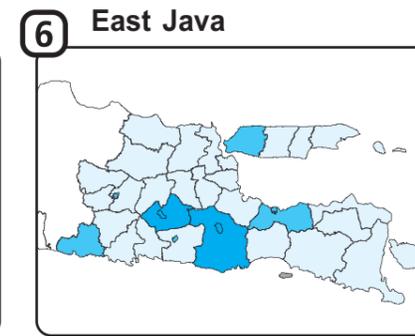
- 3 West Sumatra**
- Round 1:
    - Kota Bukittinggi
    - Kota Padang Panjang
    - Padang Pariaman
  - Round 2:
    - Kota Solok
    - Solok
    - Tanah Datar



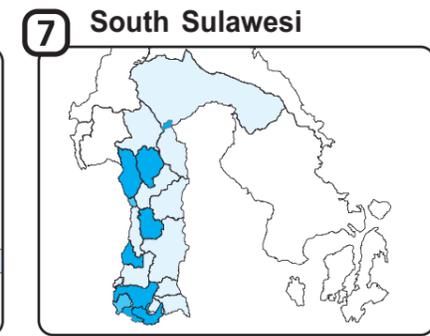
- 4 West Java & Banten**
- Round 1:
    - Kota Bogor
    - Kota Depok
    - Sukabumi
    - Kota Tangerang
    - Kota Tasikmalaya
  - Round 2:
    - Bandung
    - Kota Bandung
    - Cianjur
    - Lebak
    - Kota Sukabumi



- 5 Central Java**
- Round 1:
    - Boyolali
    - Kebumen
    - Sukoharjo
  - Round 2:
    - Jepara
    - Karanganyar
    - Klaten
    - Kudus
    - Semarang



- 6 East Java**
- Round 1:
    - Bangkalan
    - Kota Madiun
    - Kota Kediri
    - Pacitan
    - Probolinggo
  - Round 2:
    - Kota Batu
    - Malang
    - Kota Malang
    - Kota Mojokerto
    - Kediri



- 7 South Sulawesi**
- Round 1:
    - Kota Parepare
    - Pinrang
    - Takalar
  - Round 2:
    - Enrekang
    - Gowa
    - Jeneponto
    - Pangkajene Kepulauan
    - Kota Palopo
    - Sopeng

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