

# Good Governance Brief

## Musrenbang as a Key Driver In Effective Participatory Budgeting

### Key Issues and Perspectives for Improvements

#### I. Introduction

Grassroots consultations are an effective way to encourage a sense of local ownership in community projects, build and sustain democratic institutions, reduce conflicts and achieve development objectives. In the decades leading up to decentralization, public consultations were conducted in various forms in Indonesia, but these consultations often lacked government commitment to broad-based participation, and were largely ceremonial and ritualized in their approach.

Since the launch of decentralization, the principal instrument introduced by the Government of Indonesia for public consultation is the **Musrenbang** (Musyawarah Rencana Pembangunan) or Multi Stakeholder Consultation Forum for Development Planning. In support of this participatory Musrenbang process, a number of regional governments have tried to increase participation by passing perda, or local bylaws, to legislate transparency in budgeting and deepen the consultative approach down to the community level. They have also looked for ways to actively involve members of regional legislative councils (Dewan Perwakilan Rakyat Daerah, DPRD) and civil society organizations in community planning to: improve information flows; increase the capacity for budgetary debates; and train villagers and officials in new methodologies to encourage the prioritization of resources.

*‘... there is a need for improving public services in all regions through more democratic, accountable, professional, responsive and decentralized governance. Basically, decentralization and autonomy is aimed at establishing a closer relationship between government and the people. Through this, the Government will be able to provide better services and satisfy community needs in better, faster and more appropriate ways ...’* Address of President Susilo Bambang Yudhoyono to the plenary session of the People’s Consultative Assembly on the regional development policy, Aug. 23, 2005

Despite the renewed commitment by central and regional governments since 1999, there is still insufficient clarity about the fundamental principles of public participation and the role, functions and powers of civil society organizations (community groups, non-governmental organizations and professional associations) in local planning and budgeting. In addition, few laws and regulations specify adequately the need for community participation in budgeting and public policy implementation.

These ambiguities limit the effectiveness and influence of the Musrenbang and community involvement in planning.

In the context of the above issues, this brief describes the following:

- a) The status of the participatory development framework: description of Musrenbang, regulations and other actions
- b) Key issues in democratizing decision making in local planning and budgeting, and
- c) Perspectives for strengthening the quality of Musrenbang, based on recommendations from a recently held workshop on Musrenbang.

## II. Status of the Participatory Development Framework

Since the launch of the decentralization process in 1999, the central government has spearheaded efforts, through regulations and other actions, to encourage a participatory approach in community and regional planning, and has opened up “entry points” for citizens to get involved in local governance. As mentioned above—and described in greater detail below, these participatory entry points have been through the Musrenbang. Regional governments have supported these measures by directly implementing participatory practices such as public hearings and participatory planning.

### A. What is a Musrenbang?

Musrenbang is a deliberative multi-stakeholder forum that identifies and prioritizes community development policies. It aims to be a process for negotiating, reconciling and harmonizing differences between government and nongovernmental stakeholders and reaching collective consensus on development priorities and budgets. There is a hierarchy of these forums for synchronizing between ‘bottom up’ and ‘top down’ planning.

*At the community level*, the purpose of the Musrenbang is to reach agreement on program priorities of the local government departments (Satuan Kerja Perangkat Daerah—SKPD) to be funded from the local annual budget (Anggaran Pendapatan dan Belanja Daerah—APBD) and village allocation funds, and to select the community and government representatives who will attend the Musrenbang at sub district level.

*At the sub district level*, the role and function of Musrenbang is to reach consensus and agreement on the (a) priority of program and activity by SKPD function to be discussed at the SKPD Forum; (b) selection of sub district representatives to attend the Musrenbang at district level.

*At the district level*, the function of the Musrenbang is to reach consensus and agreement on the draft final Annual Local Government Work Plan and Budget (Rencana Kerja Pemerintah Daerah—RKPD).



The latter basically consists of (a) direction of regional development policy; (b) direction for priority programs and activities and indicative budget of SKPD; (Renja SKPD); (c) macro economic and financial framework; (d) priority of programs and activities proposed for funding by the APBD, APBD Province, and other sources of funds; (e) recommendations for regulatory support from Provincial and Central Government; (f) budget allocation for the village allocation fund (through Alokasi Dana Desa—ADD).

Recently, sector-specific Musrenbang within a specific local government sectoral department (SKPD forums), such as health or education, have been launched at district and sub-district levels. These allow sector departments to more closely align their sectoral programs with community perspectives and priorities. Outcomes of kecamatan-level Musrenbang feed into these SKPD forums, the results of which then feed into the district-level Musrenbang.

## B. Regulations governing participatory development in the formal regional planning and budgeting process

The Government of Indonesia has passed legislation to encourage citizen participation in the formal planning and budgeting process. These include the following:

**Law No. 32/2004 on Regional Governance** devolves authority in a number of sectors to regional governments, and makes public participation a primary means to address community welfare objectives. The law is meant to create a sense of public ownership in local governance; ensure greater transparency and accountability; and put an emphasis on the public good by shaping community aspirations into tangible programs and services.

**Law No. 25/2004 on National Development Planning** institutionalizes the creation of multi-stakeholder consultation forums (Musrenbang) at all levels of government over several time frames – long-term, medium-term and annual plans. It also emphasizes the need to synchronize all approaches — political, democratic, participatory; bureaucratic, technical, bottom-up and top-down – into regional planning.

**Joint Ministerial Decree 2006 on Musrenbang** signed between the State Minister for National Development Planning/BAPPENAS and the Home Minister establishes space for public participation in planning and budgeting and regulates “entry points” into this process. It also provides guiding principles on how Musrenbang forums should be convened at different levels of government — the deliberative multi-stakeholder consultation forum at the Regional Working Unit (SKPD) level, for example; and create other guidelines on what these forums should be expected to achieve.

**Joint Ministerial Decree 2007** sets new procedures, processes and mechanisms for conducting Musrenbang. Improvements over the 2006 decree include the incorporation of more refined principles of public participation such as inclusiveness, gender responsiveness, the need for the organization team to possess competency in participation skills, organization of working groups, framework for discussion and flexibility (negotiating adjustments).

Through these regulations the GOI has attempted to create a framework, in which Musrenbang is an integral part, for synchronizing bottom-up and top-down budgeting processes, with the final aim of reconciling the different needs and interests of government and non-governmental stakeholders in regional development.

### C. Regulations related to performance-based budgeting to permit better community monitoring and accountability in public finance management

Other regulations guide the involvement of civil society organizations in various aspects of local government planning and budgeting, and help them monitor and evaluate the impact of regional spending. Increasing the status of women and alleviating poverty are two key priorities repeatedly mentioned in the regulatory framework. These include the following.

**Law No. 17/2003 on State Finances, Government Regulation No. 58/2005 on Regional Government Financial Management and its implementing directive, the Home Ministry Regulation (SEB) No. 13/2006 on the Guidelines for Local Financial Management**, attempt to institutionalize important elements of good governance to ensure accountability, transparency, efficiency, performance planning and budgeting, effective public resource allocation and fiscal sustainability.

**Government Regulation No. 65/2005 on the Guidelines for the Planning and Implementation of Minimum Service Standards** aims to provide a new legal framework for improving public services through, for instance, increasing the voice of civil society organizations, including marginalized groups, to advocate for improved public services and to provide greater citizen oversight of service delivery. This includes more effective consultation with local government agencies (SKPD) responsible for these services; better monitoring and evaluation of the performance, accountability and effectiveness of service delivery; and an analysis of resource allocations, particularly for services benefiting women and the poor. The regulation also has articles strengthening the oversight capacity of regional legislative councils on local government budgets. A follow-up regulation, government regulation **6/2007** on the Technical Guideline for the Preparation and Determination of Minimum Service Standards, was issued to provide more detailed guidance on the process, procedure and mechanism for planning, implementation, monitoring and evaluation of minimum service standards in local government.

**Government Regulation No. 72/2005 on Villages** provides block grants to villages, devolves important budgetary functions to the village level and encourages communities and NGOs to participate in development planning. The **Home Ministry 2005 Guidelines for the Implementation of Village Allocation Funds (ADD)** provides guidance on how local communities should plan and budget for development.

### D. Other Actions to Support Participatory Planning

Several actions taken at the regional level provide further support to involving citizens in local planning and budgeting, although these have not been applied evenly on a national scale. Examples include the following.

**Local regulatory support for transparency and participation.** A number of regional governments have passed bylaws (Perda) regulating transparency and public participation in local planning and budgeting.

**Local Government Agency forums (Forum SKPD) for civil society groups' input into public service delivery.** These new multi-stakeholder forums, regulated by Joint Ministerial Decrees mentioned above, provide the framework for increased participation in public service policy

development. Independent committees are established at the local government level, including education boards and school and public health committees, to encourage greater cooperation with regional governments in these vital sectors. These committees also play an important oversight role.

**Village Allocation Funds (ADD) for supporting and accelerating grassroots development.**

Several regional governments have begun implementing this form of fiscal decentralization at the village level. In some regions this has become an important instrument for public participation and pro-poor policy development.

**Perda on Musrenbang.** Some local governments legalized the procedure for Musrenbang in the form of a Perda on Musrenbang, or Perda Partisipasi dan Transparansi, to ensure better representation of all relevant stakeholders and to improve the quality of decision making in budget resource allocation in the Musrenbang. In Surakarta for example, the Perda on Musrenbang stressed the mandatory representation of women to constitute at least 30 percent of the Perda Musrenbang participants. In Kabupaten Nagan Raya, Aceh, a planning and budgeting clinic was introduced to obtain better synchronization between bottom-up and top-down proposals; for example in Sumedang in West Java, and Solok and Bukittinggi in West Sumatra, a 40:40:20 formula was used to allocate the APBD budget to satisfy bottom-up proposals, SKPD proposals and DPRD proposals respectively .

**Greater role of civil society organizations as key agents for encouraging increased participation in planning and budgeting.** Several regional governments have begun to cooperate more with community groups and NGOs and some have even allocated annual budgets to help facilitate the Musrenbang process.

**More active involvement of regional DPRD.** Greater participation of these councils in local planning and budgeting is critical if local government policy formulation is to be improved. In some regions, communities, NGOs and councilors have become actively involved in creating, communicating and monitoring these processes. This work has significantly improved planning and resource allocation for the public good.

### III. Key Issues in Democratizing Decision Making in Local Planning and Budgeting

Despite introduction of the above measures by both central and regional governments, effective participatory planning faces a number of challenges. New laws and regulations have not always provided the means for meaningful public participation in planning and budgeting. In practice, this means limited regional government transparency and accountability, as well as limited involvement of civil society organizations and DPRDs in policy research, formulation, debate and oversight. Analyses of policy impacts on the poor and women are also scarce, and civil society organizations often participate in an evaluation of budgets after only they are spent. Members of these groups still frequently have a limited understanding of the complex steps regional governments take to decide and allocate regional budgets.

**Uneven commitment from regional leadership.** Participatory development cannot be introduced successfully without the strong political support of local government leaders. The degree of commitment to such ideas and willingness to implement a participatory approach varies across regional administrations. This limited acceptance is partly caused by a narrow understanding of the role

and need for public participation; the long-term benefits of good governance leading to sustainable development; and a general failure to distinguish between political and public participation. Corruption and the influence of party politics remain significant impediments.

**Limited legislative oversight of budget preparation and disbursement.** While DPRD members are now actively involved in the budgeting process, they frequently fail to consult with constituents in public forums to define community needs, or to prepare information and analyses for budget debates. This leads to a lack of credible oversight at all stages of budgeting.



**Little real influence of Musrenbang process on resource allocations.** Among the factors limiting the effectiveness of Musrenbang forums to influence budget resource allocations are the poor quality and limited transparency of information provided by regional governments to participants; the inadequate quality of research to create reliable policies; and a lack of meaningful involvement of other stakeholders in budget preparation and implementation. These processes remain dominated by regional leaders and DPRD members and there is a strong political party influence on resource allocations.

**Limited capacity of civil society organizations (CSOs) to understand the planning process and to push for greater transparency, change.** Community scrutiny of planning and budgeting is compromised by civil society groups' lack of knowledge about the complex budgetary preparation processes and about communities' economic rights to voice perspectives on development outcomes. The needs of women and the poor are often not taken into account in budgeting because these groups are not represented in regional executives or legislatures. There is also a general lack of community confidence that the Musrenbang process will satisfy their needs, with many stakeholders viewing the practice as part of window dressing by regional elites to push forward narrow, self-serving agendas. Members of these groups often lack an understanding of how to advocate, research and analyze information and constructively engage with regional leaders on planning and budgeting. The resulting lack of partnerships with local government and legislatures means the overall influence of CSOs remains limited.

**Magnitude and complexity of issues in local planning and budgeting.** Last but not least, a variety of complex societal issues are involved in budget prioritization. Among the myriad development challenges facing local governments are: improving the quality of education and health services; fighting poverty and malnutrition; addressing child welfare and safety; strengthening the role of women in development; eradicating corruption, collusion and nepotism; improving security, order and safety; revitalizing the agricultural sector; local economic development; and stopping environmental degradation. Improving the quality and effectiveness of local public services in the above areas requires not only inputs from the community, but also technical understanding and analysis of the issues, recourse to good practice about what has worked—and not worked—in other jurisdictions, costing of trade-offs between providing one set of policies and public goods versus another, and phasing these over

time. Balancing between priorities of one jurisdiction and another is another consideration, as well as between local and provincial priorities and timeframes. All these need in turn to be conveyed to citizens in a manner that is meaningful to them so as to elicit their priorities in the most effective manner. An enormous amount of work is necessary to strengthen these analyses and understanding, which cannot be legislated into existence

From the above explanation it is clear that **there is need for reevaluation of the effectiveness of Musrenbang mechanism and other participatory mechanism in regional planning and budgeting.**

## IV. Perspectives for Improving the Quality of Musrenbang

In light of the above challenges, LGSP organized a one-day Workshop February 14, 2007 on ***Musrenbang as Key Driver for Effective Participatory Budgeting***. Over 100 leading authorities and practitioners in Musrenbang, including representatives of central and local government and councils, CSOs and academic institutions, attended. Discussion focused on two issues: (a) the efficacy of Musrenbang and SKPD Forum Processes and (b) the quality and effectiveness of public participation in Musrenbang forums.

In general, participants concluded that strengthening the Government of Indonesia's Musrenbang requires the effectiveness of two aspects of the process:

- a) **principles encouraging inclusive, broad-based participation** applied at all stages of the decision-making process—including consultation at the policy planning, budgeting, resource allocation, implementation, monitoring and evaluation levels; and
- b) **sufficient technical analytical work, including synchronization of development planning priorities** between different sectors and levels of government (national, provincial, district, sub district and community), leading up to and following up upon participatory forums to ensure that the latter are used in the most effective manner to ensure more responsive services to citizens.

Emanating from these priorities, meeting participants made the following recommendations to improve the efficacy and quality of the Musrenbang process. The first two areas for attention relate to the establishment of a stronger regulatory framework at national and local levels. The other areas, related to Musrenbang quality and roles of CSOs and DPRD in the process, can in part be addressed through legislation but would also benefit from greater awareness and capacity building.

### A. National government regulation

The joint ministerial directive on Musrenbang issued annually by Home Affairs and BAPPENAS should be replaced by a standing regulation to provide more certainty and sustainability. This would help address the current uneven commitment to participatory governance from senior officials in some local governments who wait to take action until the annual directive is issued.

The regulation should:

- (a) establish the principle of inclusion of broad categories of stakeholder groups based on equity, legitimacy, resources (i.e. women, poor people, marginalized groups, business community)
- (b) clarify the roles, functions and jurisdictions of each stakeholder (legislative, CSOs) in the process, especially in the budget preparation and formulation process
- (c) incorporate flexibility to accommodate good local—including community—practices
- (d) ensure an appropriate standard of public consultation
- (e) articulate conditions for initiating participatory budgeting.

Formulation of the regulation should involve all relevant stakeholders, including local governments and CSOs that have implemented good practices in Musrenbang.



## B. Local government regulation

Based on the above national regulation, local governments should develop local legislation (perda) adapted to local conditions. This will further strengthen commitment from senior officials in the local government, DPRD and local CSOs to implementing participatory planning. If well designed, the legislation can also increase CSO oversight over the use of public funds and improve transparency in, and integration between, planning and budgeting.

Local legislation should incorporate, inter alia, the following:

- (a) Clarity of participatory planning process
- (b) Inclusion of participatory budgeting in the process
- (c) Flow chart of the planning and budgeting process
- (d) structure and members of organizations responsible for conducting Musrenbang
- (e) sufficient annual budget allocation to implement the Musrenbang
- (f) calendar of events
- (g) typology of stakeholders to be involved, including gender mainstreaming
- (h) role, function and jurisdiction of each stakeholder
- (i) pro active involvement of DPRD in different stages of the planning process
- (j) role and functions of SKPD multi stakeholder forum consultations, and
- (k) publication of APBD in the media.

## C. Quality of Musrenbang

The quality of Musrenbang should be improved to achieve an appropriate standard of public consultation in participatory planning events, through the following measures:

- (a) Improving the quality of facilitators through, inter alia, more technical assistance in public consultation facilitator training



- (b) Ensuring representation of women and marginalized groups as stakeholders
- (c) Increasing linkages with the SKPD multi stakeholder forum
- (d) Improving the quality and timeliness of information provided to participants, including information on the indicative budget
- (e) Documenting properly the agreements reached at the Musrenbang
- (f) Developing better instruments for guiding stakeholders' aspirations and needs so that these can be articulated as concrete proposals
- (g) Improving coordination of timing and logistics for Musrenbang.
- (h) Creating mechanisms for greater accountability of the substance and process for Musrenbang, e.g. development of indicators for performance monitoring on the post-Musrenbang process, such as assessing the percentage of Musrenbang stakeholders' proposals accepted by DPRD and reflected in the APBD (especially those related to the provision of basic services to the poor community).

## **D Roles and functions of civil society organizations**

The roles and responsibilities of CSOs in Musrenbang need to be clarified. Possible roles and functions of CSOs include:

- (a) Building strategic coalitions and effective networks for influencing decision making in the planning and budgeting process and encouraging local governments to implement participatory budgeting,
- (b) Serving as facilitators for Musrenbang
- (c) Providing advocacy, advice, training, facilitation, research and analysis on the budget
- (d) Providing information to communities in the planning and budgeting process, and increasing their awareness
- (e) creating public forums to encourage discussion of APBD before the budget is approved;
- (f) undertaking public information campaigns to expose lack of transparency
- (g) monitoring and evaluating budget and service delivery performance; and
- (h) Assisting the DPRD to undertake review and evaluation of the impact of the budget proposed by local governments, especially assessing budget impact on poverty alleviation and minimum service provision.
- (i) Working with the media to ensure that participatory planning and budgeting objectives, process and outcomes are better publicized.

## **E Roles, functions and contribution of DPRD**

There is need for strengthening the involvement of DPRD members in Musrenbang and more generally in all stages of the planning process. In addition, the DPRD recess period needs to be synchronized with the timing of Musrenbang and with the local planning and budgeting calendar in general so that legislators can be in their home jurisdictions during community and district level Musrenbang and in their district headquarters when the district Musrenbang are held.

The DPRD needs to strengthen its effectiveness in the following roles and functions related to the Musrenbang:

- (1) proactive involvement of relevant DPRD committees/commissions in the discussion, review and evaluation of program proposals;

- (2) understanding their constituents' needs and aspirations voiced in Musrenbang and providing inputs on program priorities based on community priorities;
- (3) ensuring consistency and balance between the annual district program with national and provincial program priorities and between sectoral programs and resource allocations.
- (4) ensuring that the Musrenbang implements a proper standard for public consultation; and
- (5) observing relevant legal requirements to include in the DPRD work program the priority activities identified through the Musrenbang.

Addressing these recommendations to improve the Musrenbang process will require efforts on the part of all stakeholders—central and local governments, CSOs and DPRD. External agencies can also help by supporting training, technical assistance and exchange of experience to all of the above parties. Above all, recognition that citizens have the right to voice their priorities and hold government



accountable to act on these priorities will enable the Musrenbang to become a key driver in effective participatory planning and budgeting.

LGSP has been working with local governments, civil society groups, media and citizens in nearly 60 districts and cities across seven provinces in Indonesia to encourage the confidence and commitment to engage all stakeholders in developing and monitoring planning and budget materials. By providing technical assistance to understand the legal framework, facilitation training to incorporate participatory methods, and ongoing support to encourage a public oriented attitude among all stakeholders, LGSP is promot-

ing the social and political foundation to support public consultations and the Musrenbang as an integral and effective part of the governance process.

## About LGSP

The Local Governance Support Program (LGSP) provides local governments in Indonesia with technical assistance that supports a framework for governing justly and democratically.

LGSP works with local government officials, civil society organizations (CSOs), strategic partners, and media to strengthen local legislative functions and processes, improve local government administration, establish transparent oversight, enhance public participation, and promote accountability. Specific technical assistance includes training in performance-based budgeting and finance, participatory strategic planning, legislative advocacy, responsive service delivery and resource management. LGSP supports locally identified service improvements in the sectors where USAID is concentrating assistance including education, local economic development, health, water, and

other basic human services. LGSP also collaborates with government and strategic partners at the national level to support a wider dissemination and adoption of local governance information, tools, and practices. LGSP works with more than 70 selected Indonesian local governments in seven provinces: North Sumatra, West Sumatra, Banten, West Java, Central Java, East Java, and South Sulawesi. Special assistance programs are conducted in Nias, Aceh (Banda Aceh, Aceh Besar, Aceh Jaya, Aceh Barat, and Nagan Raya) and the Bird's Head region of Papua. LGSP is implemented in partnership with BAPPENAS (the National Development Planning Agency), the Ministry of Home Affairs, the Ministry of Finance, the Public Administration Institute (LAN), and local governments and CSOs in the target provinces. LGSP is funded by the United States Agency for International

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