

Participatory Planning and Budgeting in Indonesia



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Background



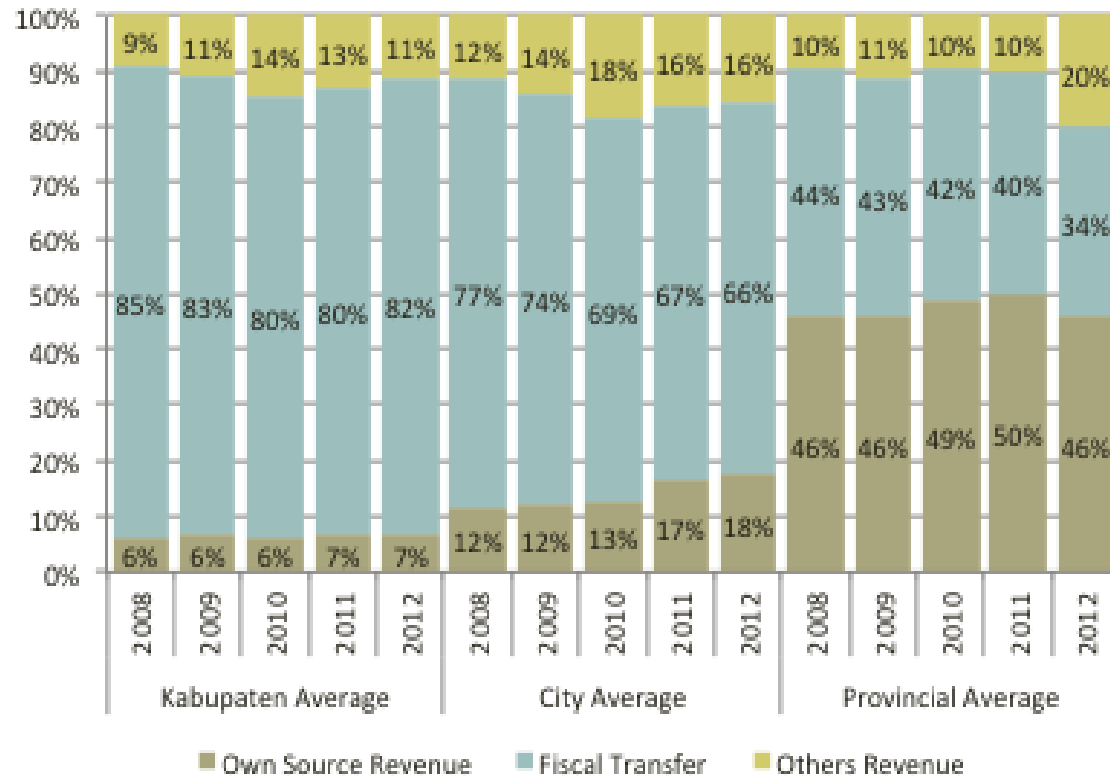
- Decentralization in Indonesia has been implemented since 2001 which transferred most of the authority to sub national level
- Regulatory framework has been revised in 2004 (Law 32/2004 & Law 33/2004)
- National development planning system was regulated by Law No. 25 of 2004. It also regulates development planning at the district and municipal government
- Government has provided a planning mechanism that was carried out every year in sub national level that called *Musrenbang* (development planning assembly) or Multi Stakeholder Consultation Forum for Development Planning

Local Revenue



- In average 80% source of revenue in Kabupaten are Fiscal Transfer
- Provinces have bigger taxing power than Kabupaten and Cities

Trend of Revenue Proportion to Provinces/
Kabupaten/Cities 2008-2012

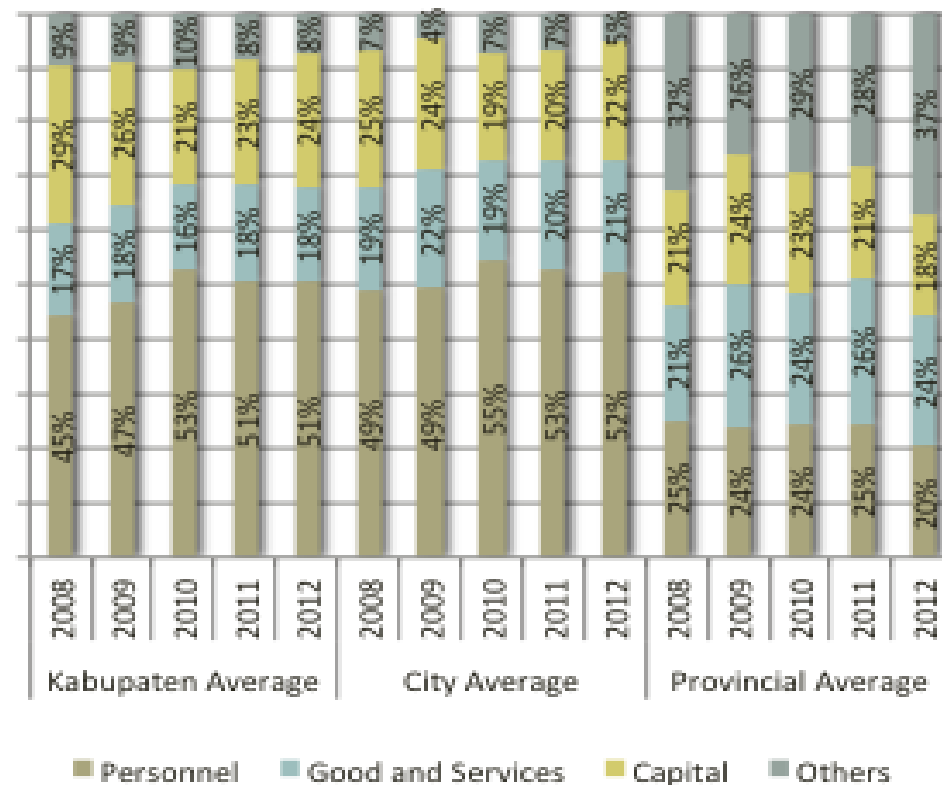


Local Expenditure

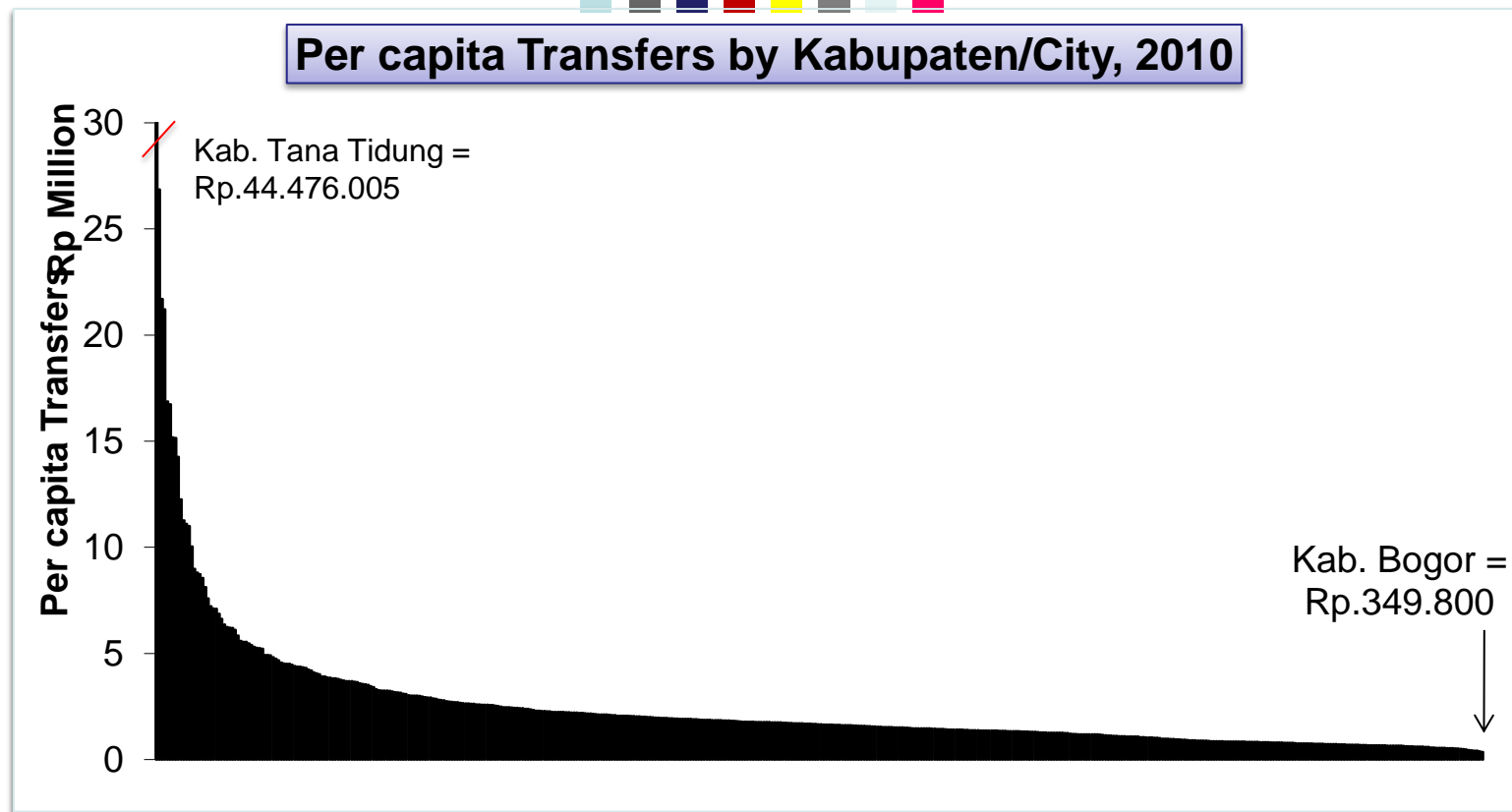


- More than 70% fiscal transfer use for personnel expenditure
- There are 302 local government allocated more than 50% for salary
- Kabupaten and Cities should cover personnel expenditure for direct public services (teacher)
- Around 10% expenditure that local government have to address community proposal

Trend of Expenditure Provinces/
Kabupaten/Cities 2008-2012



Fiscal transfers take into account imbalance among regions, but not imbalance of population...



...among kabupatens/cities, receipts of transfers differ greatly (with the top recipient receiving 127 times more than the lowest recipient)

5 Approach Participatory Planning Budgeting



- Top-Down : based on national priority
- Bottom up : process start from lower level
- Technocratic: based on technical planning from agency
- Politics : Local leader vision & mission
- Participative : community involvement

Lesson Learned PPB in Indonesia



- The implementation of MUSRENBANG ‘bottom-up and participatory planning mechanism’ is just a formality
- Participants are not representative and inclusive; capture by local elites
- Before attending planning process, people didn’t get enough information about priority program and how much indicative resources by the municipality
- The people felt pessimistic; Because many proposals has never been accommodated by district/ municipal annual budget

Lesson Learned (II)



- PPB is not substantial → consultation process, citizens do not have power to decide
- FITRA has conducted research Local Budget Index (LBI) to measure participation, transparency, accountability and gender equality in 62 sub-national level from 2009-2011 → participation is the lowest score
- There is no links between policy making, planning and budgeting → Political Process more dominant
- Limited budget discretion to response community proposal → budget split by approach: politics, participation, technocratic

Best Practices PPB



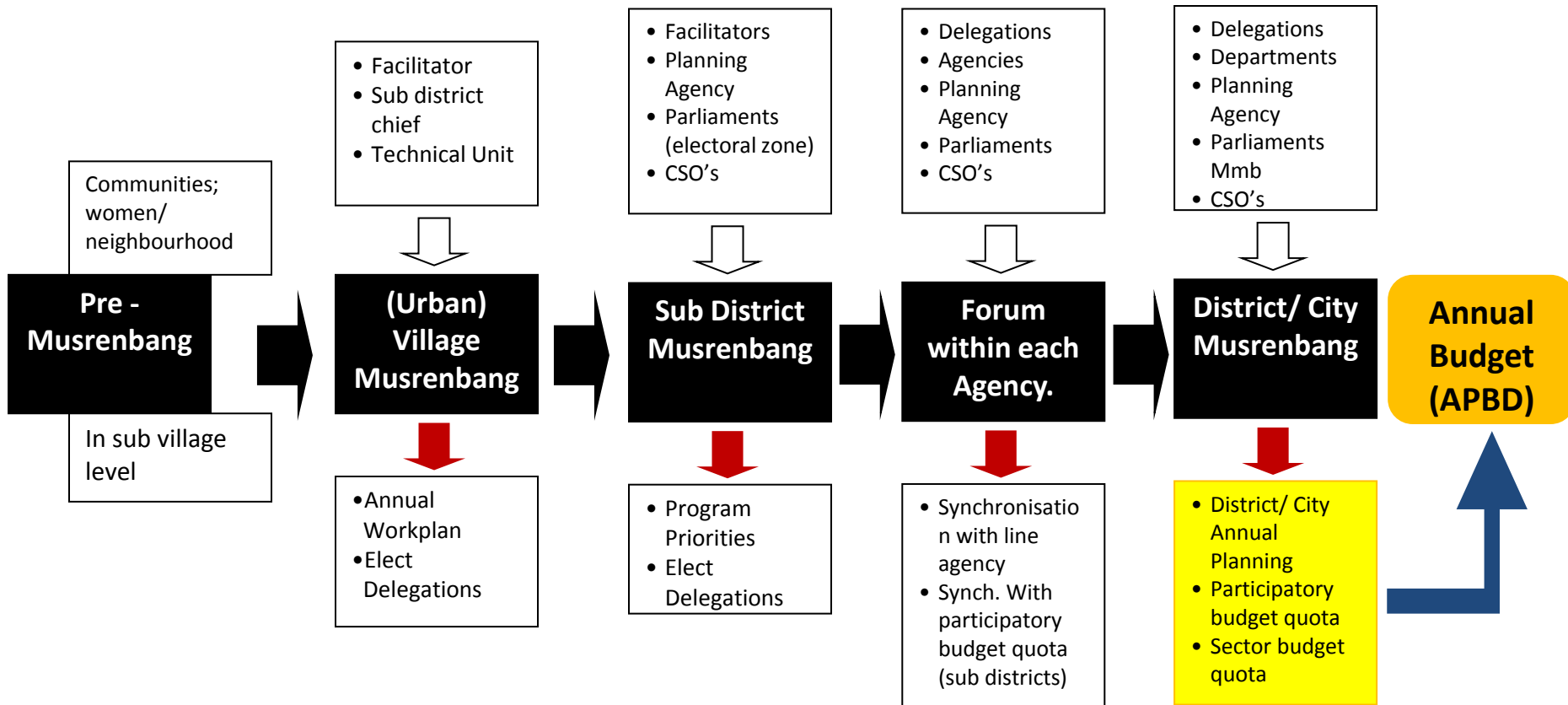
- PB regulate by local government (Solo, Bandung, Kebumen, Banda Aceh) are more institutionalize than central government → quota allocation for community proposal and community delegation, special space for women participation
- Key success Factors : political will of local leader, civic culture, capacity and local procedure
- Donor Initiative : GIZ, LGSP-USAID, WB, etc

What are the Innovative Policies and Practices?



- 1) Institutionalizing procedure of Participatory Planning and budgeting; by adding local innovation in to the local regulatory framework
- 2) (Participatory) Sub district budget quota that allocated for each sub districts and each (urban) villages. The various amounts is based on vulnerability indicators

(1) Institutionalizing procedure of Participatory Planning and budgeting



(2) Sub District Budget Quota – Participatory Based

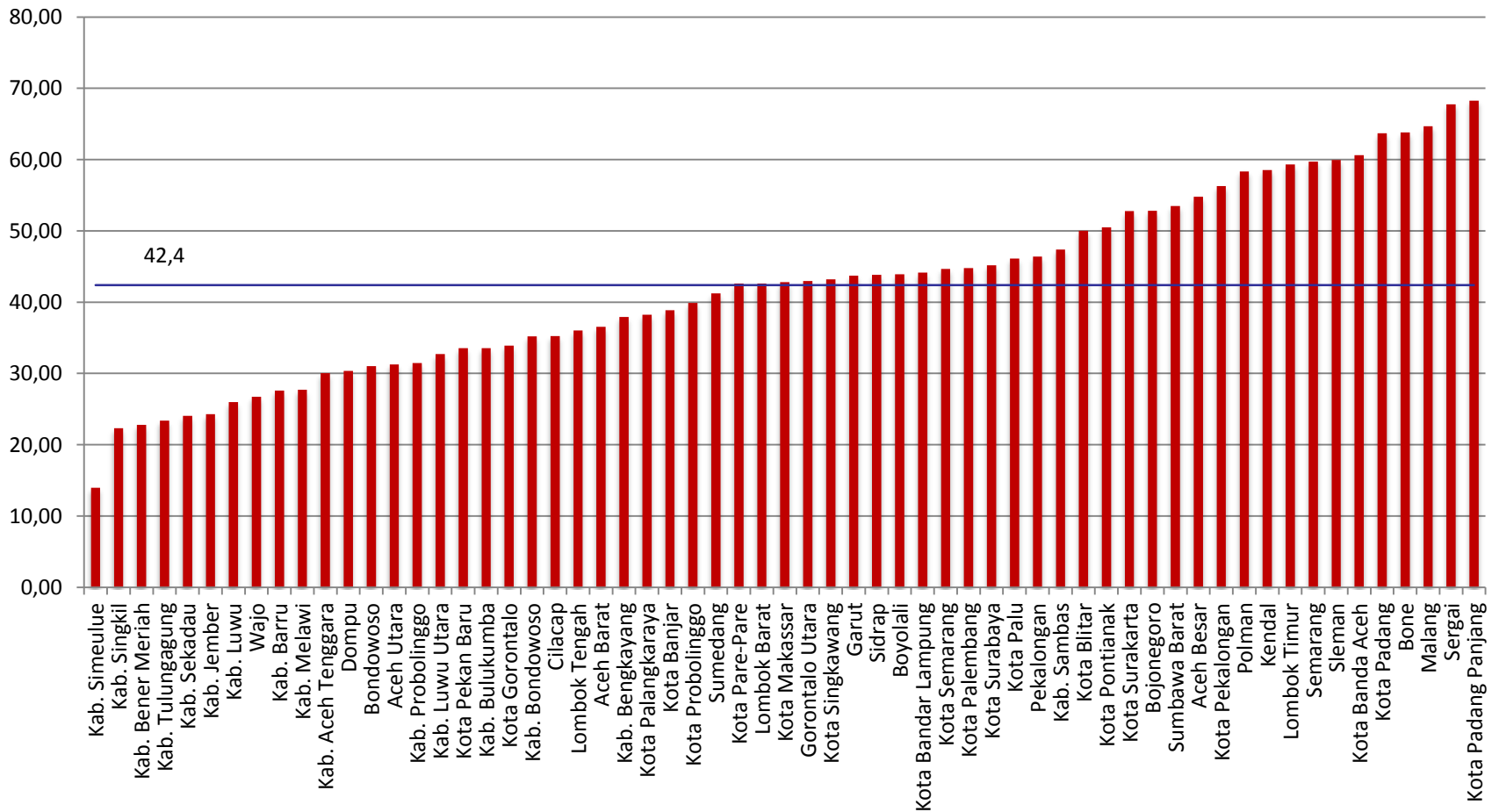


- **Participatory budget quota (sub districts)** determination based on indicators of maternal mortality number, illiteracy, education ratios, dropout rates, the ratio of the labor force, poor nutrition, Regional GDP and productivity livelihoods. Focused on health affairs, education affairs and economic affairs
- Participatory community proposals that are beyond the three sectors (such as construction of roads, bridges and irrigation canals) are accommodated in the sectoral budget quota
- 90 percent of people's proposal was accommodated in the district / city annual budget (APBD)

The average index is 42.2, the highest near to 70



Aggregated Index – Local Budget Index



Participation is being the lowest; Its index only 25.14 of averages



Index - Participation

