

# **Quick Guide: Local Public Planning and Financing in Indonesia**

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## Table of Contents

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Abbreviations & Acronyms .....	3
Introduction .....	5
Section 1: Decentralisation & Political Reforms in Indonesia .....	5
Box 1.1: Process for the Election of District/Municipal Heads Pilkada) .....	6
Section 2: District/Municipal Planning Process .....	6
Box 2.1: SKPD – Bureaucratic Sectoral Planning.....	7
Box 2.2: Musrenbang – Participatory Spatial Planning in Villages and Sub-Districts	7
Section 3: District/Municipal Budgeting .....	8
Box 3.1: Regional Revenues .....	8
Box 3.2: Fiscal Balance Key Points (based on Law 33/2004) .....	9
Section 4: Poverty Reduction Strategy Planning .....	9
Box 4.1: Upcoming TKPK Working Plan .....	10
Section 5: District/Municipal Budget Reporting and Auditing .....	10
 <b>Appendixes</b>	
Appendix 1: Annual Development Planning and Financing Process .....	11
Appendix 2: Key Planning and Budgeting Document Formats .....	12
Appendix 3: Current Legislation .....	16
Appendix 4: List of Upcoming Government Regulations .....	17

<b>Abbreviations &amp; Acronyms</b>	<b>Bahasa Indonesia</b>	<b>English</b>
<b>AKU–APBD</b>	Arah Kebijakan Umum – Anggaran Pendapatan dan Belanja Daerah	General Policy Directions for APBD
<b>APBD</b>	Anggaran Pendapatan dan Belanja Daerah	Annual District/Municipality Budget
<b>Bappeda</b>	Badan Perencanaan Pembangunan Daerah	Regional Development Planning Board
<b>Bappenas</b>	Badan Perencanaan Pembangunan Nasional	National Development Planning Board
<b>Bawasda</b>	Badan Pengawas Daerah	District Audit Board
<b>BPK</b>	Badan Pengawas Keuangan	Supreme Audit Board
<b>DAK</b>	Dana Alokasi Khusus	Special Allocation Grant
<b>DAU</b>	Dana Alokasi Umum	General Allocation Grant
<b>DBH</b>	Dana Bagi Hasil	Shared Revenue Fund
<b>Dinas</b>	Dinas	Regional Government Sectoral Office (used interchangeably with SKPD)
<b>DPRD</b>	Dewan Perwakilan Rakyat Daerah	District Assembly of Representatives
<b>Hapsem</b>	Hasil Pemeriksaan Semester	Semi–Annual Audit Report
<b>Kab/Kota</b>	Kabupaten/Kota	District/Municipality
<b>MoHA</b>	Departemen Dalam Negeri	Ministry of Home Affairs
<b>MPR</b>	Majelis Permusyawaratan Rakyat	People’s Consultative Assembly
<b>Musrenbang</b>	Musyawahar Perencanaan Pembangunan	Development Planning Meeting
<b>PAD</b>	Pendapatan Asli Daerah	Regional Own Revenue
<b>Perda</b>	Peraturan Daerah	Regional Regulation
<b>Pilkada</b>	Pemilihan Kepala Daerah	Election of Head of District/Municipality
<b>PP</b>	Peraturan Pemerintah	Government Regulation
<b>PPKD</b>	Pejabat Pembina Kepegawaian Daerah	Regional Chief Finance Officer
<b>RAPBD</b>	Rancangan Anggaran Pendapatan dan Belanja Daerah	Draft Annual District/Municipality Budget
<b>Renja–SKPD</b>	Rencana Kerja – Satuan Kerja Perangkat Daerah	Annual Sectoral Program Plan
<b>Renstra–SKPD</b>	Rencana Strategis – Satuan Kerja Perangkat Daerah	Medium–Term Strategic Sectoral Program Plan
<b>RKA–SKPD</b>	Rencana Kegiatan dan Anggaran – Satuan Kerja Perangkat Daerah	Annual Sectoral Work Plan and Budget
<b>RPJMD</b>	Rencana Pembangunan Jangka Menengah Daerah	Regional Medium–Term Development Plan

<b>Abbreviations &amp; Acronyms</b>	<b>Bahasa Indonesia</b>	<b>English</b>
<b>RPJPD</b>	Rencana Pembangunan Jangka Panjang Daerah	Regional Long-Term Development Plan
<b>RKPD</b>	Rencana Kerja Pemerintah Daerah	Regional Annual Development Plan
<b>Sekda</b>	Sekretaris Daerah	Regional Government Secretary
<b>Sekta</b>	Sekretariat Daerah	Regional Government Secretariat
<b>SKPD</b>	Satuan Kerja Perangkat Daerah	Regional Government Work Unit
<b>SNPK</b>	Strategi Nasional Penanggulangan Kemiskinan	National Poverty Reduction Strategy
<b>SPKD</b>	Strategi Penanggulangan Kemiskinan Daerah	Local Poverty Reduction Strategy
<b>SPM</b>	Standar Pelayanan Minimal	Minimum Service Standards
<b>TKPK</b>	Tim Koordinasi Penanggulangan Kemiskinan	Coordinating Team for Poverty Reduction

## Introduction

The rapid decentralisation of Indonesia has had mixed impact on the quality of public services across the 33 provinces and more than 440 districts/municipalities. Issues of consistency and clarity regarding the division of authority and responsibilities between different levels of government remain a major challenge to the success of decentralisation. In response, the central government has recently initiated the formulation of a Grand Design on Decentralization with the objective to formalise and operationalise checks and balances between the executive and legislative branches of local government. The Grand Design process is also expected to reduce current inconsistencies between laws and regulations as well as clarify the roles and responsibilities of local government agencies.

This document provides a brief description of current planning and financing practices at the district/municipality level. Most of the analysis is based on Law 32/2004 regarding regional administration, Law 33/2004 regarding the fiscal balance between the central government and the regional governments, and on Law 25/2004 regarding national development planning systems.

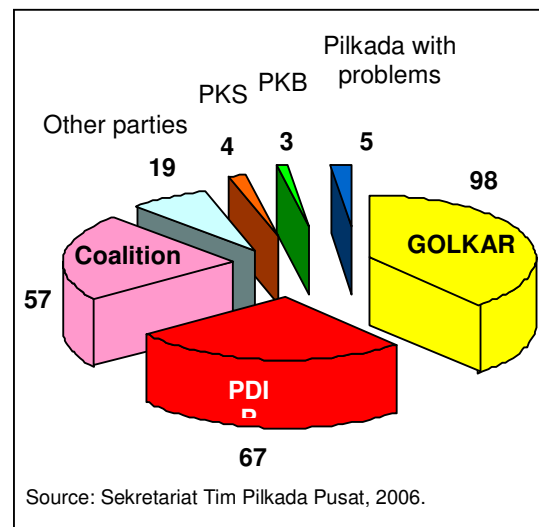
The report is divided into five sections. The first section presents an overview of the decentralisation reforms to date. The following three sections describe the planning, budgeting, implementation and monitoring processes as regulated by the national law. The final section explains the national poverty reduction strategy.

The primary purpose of this report is to support Oxfam GB staff and partner NGOs in their efforts to critically analyse the legal, political and economic dynamics that govern development planning and financing processes in districts and municipalities. Given the rapid pace of policy change in Indonesia, this is an iterative document that should be regularly reviewed and updated. In addition, the authors have prepared a separate report highlighting the opportunities for NGO engagement with local governments for pro-poor planning and budgeting.

## Section 1: Decentralisation & Political Reforms in Indonesia

The extensive decentralisation process initiated by Law 22/1999 under President Habibie gave significant powers to districts over provincial and central governments. This process was somewhat limited by Law 32/2004 passed under President Megawati partially reinstating authority to provincial governments for approval of regional regulations (Perda) and district/municipality budgets.

These recent changes in the legal framework affected not only the balance of powers between different levels of government but also the powers and responsibilities of various institutions at the district/municipality level. In particular, the introduction of Pilkada – direct elections for the executive head of districts/municipalities, according to Law No. 32/2004, influenced the checks and balances between legislative and executive branches of local government. Prior to Law No. 32/2004 and Government Regulation No. 6/2005, the district/municipality executive head was indirectly elected through appointment by DPRD. From June 2005 to July 2006, Pilkada were organized for the heads 253 districts and municipalities. Candidates from the Golkar party won the elections in 98 districts/municipalities, followed by PDI-P with 67 districts/municipalities (see figure). All Bupati/Walikota – executive heads – are to be directly elected before the legislative elections in 2009.



The key institutions in districts/municipalities that play an important role in local planning and financing processes are: regional sectoral work units (SKPD), regional development planning boards (Bappeda), executive heads of districts/municipalities (Bupati/Walikota), and district assemblies of representatives (DPRD). Their roles and duties can generally be summarized as follows:

- SKPDs have the duty to prepare sectoral programs and annual work plans;
- Bappeda has the duty to coordinate the preparation of draft regional development work plans;
- Bupati/Walikota has the duty to prepare and submit draft district/municipality budgets to the DPRD;
- DPRD has the authority to review, revise and approve district/municipality budgets.

#### **Box 1.1 Process for the Election of District/Municipal Heads (Pilkada)**

##### **Nomination**

- Political parties or combined political parties (which meet the requirement by having acquired at least 15% of the number of DPRD seats or 15% of the accumulated legitimate votes during the general election of DPRD members in the respective regions) may propose only one pair of candidates. The pair may not be proposed again by the other political parties or combined political parties.
- If a pair of candidates does not meet the requirements and is rejected by the Regional General Election Commission (KPUD), the political parties and/or combined political parties shall not be eligible to nominate pairs anymore.
- There is no opportunity for people to propose their independent (no parties) pair of candidates.

##### **Election and Ballot Casting**

- The KPUD administers the election and reports to DPRD.
- The election is not considered as part of the general election.
- The ballot casting for the election shall be administered at the latest one month before the expiry of the regional head's tenure.
- The pair of candidates who gets more than 50% of legitimate votes shall be declared the elected pair of candidates.
- In case that none of the candidates gets more than 50% of legitimate votes or none of the candidates get more than 25% of legitimate votes, a second round of election shall be conducted between the first and the second winner.
- The pair of candidates who earn the largest share of votes in the second election round shall be declared as the elected pair of candidates.

##### **Determination**

- The pair of candidates shall be proposed by the DPRD, at the latest within 3 days to the President via the Minister of Home Affairs (for governor candidates) or to the Minister of Home Affairs via the Governor (for bupati/mayoral candidates) based on the minutes of determining the elected pair of candidates from the KPUD to legalise installation.

## **Section 2: District/Municipal Planning Processes**

There are two annual planning processes, governed by national legislation, that take place to the district/municipal level: the bureaucratic sectoral planning process carried out by SKPDs and the participatory spatial planning process of the Development Planning Meetings (Musrenbang). The outputs of these two processes are combined at the district level into the draft annual regional development plan (RKPD) by Bappeda. At the district level, Bappeda uses Renja-SKPDs submitted by various SKPDs and the project lists from various kecamatan to draft the annual regional development plan (RKPD). A district-level Musrenbang is organized for the preparation of the RKPD,

which is attended mainly by district level government officials. RKPD is submitted to the Secretariat by the Bupati/Walikota in May of each year and is used to draft the general policy for the district budget.

The legal framework for development planning at the district/municipality level remains incomplete. A government regulation for Law 25/2004 regarding national development planning systems was still in the public consultation phase as of August 2006. In the absence of a government regulation (PP), MoHA and Bappenas have issued joint circular letters regarding technical guidance for Musrenbang implementation in 2005 and 2006. A preliminary review of the government regulation for Law 25/2004 shows: (1) a weak focus on public participation; (2) a strong focus on SPM and performance-based budgeting; and (3) a push towards increased transparency by the establishment of local information systems for regional planning.

### **Box 2.1 SKPD – Bureaucratic Sectoral Planning**

**Medium-Term Sectoral Planning.** Each regional government work unit (SKPD) develops a five-year program plan (Renstra-SKPD) that:

- Is prepared during the three-month period following the election of the Bupati/Mayor;
- Describes sectoral vision, mission, purposes, strategies, programs and activities; and
- Is based on the regional long-term development plan (RPJPD), the national medium-term development plan, minimum service standards (SPM) and the priorities of the Bupati/Mayor.

Renstra-SKPDs of different sectors are then incorporated into the regional medium-term development plan (RPJMD) by Bappeda. Medium-term sectoral planning follows political and technical processes, with limited opportunities for community participation.

**Annual Sectoral Planning.** Each SKPD drafts an annual program plan (Renja-SKPD) that:

- Is prepared during the first four months of each calendar year;
- Describes sectoral goals, indicators and programs;
- Does not include a detailed budget or a technical assessment; and
- Is based on the Renstra-SKPD, evaluation of ongoing programs, annual priorities set by Bupati/Mayor, and consultations with other stakeholders.

Renja-SKPDs are then incorporated into the draft regional annual development plan (RKPD) by Bappeda. Once sectoral budget ceilings are decided by DPRD and the Bupati/Mayor, each SKPD is asked to prepare the budget of their program plan (RKA-SKPD).

### **Box 2.2 Musrenbang – Participatory Spatial Planning in Villages and Sub-Districts**

#### **Planning at Village Level (Desa/Kelurahan)**

Every year before March, community members discuss and prioritize their development needs under the leadership of the village chief. A list of priority projects is prepared. The project proposals do not include technical assessments or detailed budgets.

#### **Planning at Sub-District Level (Kecamatan)**

Every year before May, village chiefs, sub-district authorities, Bappeda, and ideally representatives from SKPD and DPRD members hold discussions in each kecamatan. Projects submitted by villages are discussed and prioritized. The final lists of proposals do not include technical assessments or detailed budgets. They are often a 'wish-list' for various projects.

## Section 3: District/Municipal Budgeting

Preparation of the annual district/municipality budget (APBD) is mainly a political process that involves DPRD members, Bupati/Walikota and heads of SKPD. The main stages of the budgeting process involve the following steps:

### A. Preparation of the Draft Budget

- The Regional Chief Finance Officer (PPKD) and the Budget Team under Bupati/Walikota's office make revenue projections for the upcoming year based on previous year's PAD and balancing fund estimates;
- Upon Bupati/Walikota's submission of the draft general policy directions (AKU) on APBD to the DPRD in June, discussions begin between executive authorities and DPRD regarding APBD priorities and budget ceilings for each SKPD;
- Based on the joint decision regarding priorities and ceilings, each SKPD then prepares budget estimates for their work plans (RKA-SKPD);
- The Budget Team and PPKD headed by the Regional Secretary (Sekda) under Bupati/Walikota prepare the draft APBD Perda (RAPBD), which consists of the revenue budget, expenditure budget, and financing budget. The revenue budget is derived from PAD, balance fund and other income. The expenditure budget uses the RKA-SKPD and is classified by organisation, function, programme, activity and type of expenditure. The RAPBD is then submitted to DPRD during the first week of October for approval;
- The approval process in the DPRD involves various plenary and commission meetings between DPRD members, heads of SKPD and executive budget committee members;
- Simultaneous to these deliberations, DPRD members may also organize meetings with their constituencies (*jaring aspirasi*) in an effort to identify the projects they should prioritise;
- The approval process in DPRD may take up to two months but must be completed by the end of November at latest.

**Box 3.1 Regional Revenues.** The main sources of revenues for districts/municipalities are:

#### Balance Funds:

- **Grants from Central Government** include General Allocation Grants (DAU) and Special Allocation Grants (DAK). Together, they constitute the largest portion of the revenues for all districts/municipalities. The DAU is allocated based on the fiscal need and the fiscal capacity of the district, as well as the basic allocation covering the civil servant salaries. Fiscal need is calculated based on the financing requirements in providing basic public services; fiscal capacity is calculated based on the shared revenue funds and purely regional revenues. DAU is distributed to regional governments on a monthly basis at 1/12 of annual DAU.
- **Shared Revenue Funds (DBH)**, generated from natural resources and taxes, are shared between the regional government and central government. The amount of these funds and significance with regards to the entire budget vary depending on natural resource availability, resource-specific legal distributional proportions between central and regional government, and the taxation base of the district.

**Regional Own Revenue (PAD):** PAD constitutes a smaller portion of district revenues relative to balance funds. Regional tax revenue, regional retribution revenue and revenue from the management of regional assets constitute PAD.

The district/municipality governments can also take regional loans from the central government, other regional governments, banks and other financial institutions yet they cannot seek loans directly from overseas. Grants to regional governments from foreign governments, foreign agencies/institutions and international agencies/institutions in the form of foreign or local currency, goods and/or services have to go through the central government. In the case of APBD deficits, deficits need to be financed from the remaining balance of the budget, the reserve fund, sales of regional assets, and regional loans.

## B. Evaluation of the Draft Budget

- Within three days after the draft APBD is approved by DPRD, Bupati/Walikota submits the draft perda on APBD to the Provincial Governor for evaluation. If the Governor declares that the draft APBD conforms to public interest and laws, the Bupati/Walikota stipulates the draft into a perda;
- If the Governor declares that the draft contradicts public interest and laws, returning it to Bupati/Walikota for amendments, Bupati/Walikota and DPRD must jointly make the necessary changes before the Bupati/Walikota stipulates the draft into a perda;
- In the case that Bupati/Walikota and DPRD do not follow up on the amendments and the Bupati/Walikota stipulates the draft into a perda, the Provincial Governor has the authority to annul the perda. In this case, previous year's budget ceilings hold for the upcoming year.

### Box 3.2 Fiscal Balance Key Points (based on Law 33/2004)

- Clarification and reinforcement of the "financing follows function" principle.
- Clarification of fiscal gap formula. General Allocation Funds (DAU) to regions in which fiscal capacity exceeds fiscal needs and basic allocation will be phased out by 2008.
- Regions are required to provide counterpart funds of at least 10% of Specific Allocation Funds (DAK). Regions with limited fiscal capacity (poor regions) exempted from the counterpart fund requirement.
- Regulation of the system for grant aid provided by international governments/agencies, the central government, and domestic agencies to local governments, whether in foreign currency, local currency or in-kind goods/services.
- Regions prohibited from arranging foreign borrowings directly with creditors. Foreign borrowings may only be arranged through the central government under a subsidiary loan agreement mechanism.
- De-concentration funds to be allocated for non-physical activities and co-administrative funds for physical activities.
- Establishment of regional financial information systems.

## C. Revision of District Budget

- In the event of a development that deviates from the approved APBD assumptions or that requires shifting budget between units and activities, the regional administration must submit a draft perda for APBD revisions and supporting documents to DPRD;
- DPRD is expected to approve or disapprove the requested revisions three months before the end of the budget year at the latest;
- APBD can be revised only once a year;
- Once DPRD approves the draft perda for revisions, the draft is evaluated following the same steps described in Section 3.B above, 'Evaluation of Draft Budget.'

## Section 4: Poverty Reduction Strategy and Planning

The Coordinating Team for Poverty Reduction (TKPK) has begun to formulate guidelines for the participatory Local Poverty Reduction Strategy (SPKD) in an effort to institutionalise pro-poor planning and budgeting at the district level. This process is expected to continue for 12 months at the national level, with some efforts in the districts to collect data and information. SPKD will be used as a reference in formulating RKPD and APBD. TKPK will also finalize and sharpen the National Poverty Reduction Action Plan, which consists of the five main instruments of regulation; funds; human resources; institution; and information system.

#### **Box 4.1 Upcoming TKPK Working Plan**

- Review substance and formulate a legal foundation for the SNPK in order to guarantee that the strategy, policy and action plan stated in SNPK could be adopted and referred by policy makers when formulating their working plans.
- Review and formulate an institutional optimisation concept.
- Formulate guidelines of SPKD formulation.
- Review and formulate government improvements for budget spending effectiveness for social allocation that relate to poverty reduction and human development.
- Formulate a poverty reduction integrated database and information system.
- Develop system to evaluate impact of poverty reduction in Indonesian.

## **Section 5: District/Municipal Budget Reporting and Auditing**

The main programmatic and financial monitoring mechanism that is currently in place for district/municipality plans and budgets is the annual accountability report of the Bupati/Walikota. Bupati/Walikota is required to submit a draft perda of accountability in implementation of APBD to DPRD on an annual basis. This report consists of a cash flow statement, a balance sheet, APBD realisation figures, and details on realised APBD and performance measures, which are based on PPKD's compilation of financial reports from all SKPDs. Prior to its submission to DPRD no later than six months into the new budget year, the financial report is to be audited by the Supreme Audit Board (BPK). The Bupati/Walikota is also responsible to submit a response to BPK regarding its findings within 60 days after receipt of its audit report.

BPK is currently the main external auditing body responsible for inspecting all regional finances. Founded under the 1945 Constitution, BPK's role and independence were limited until the MPR Decrees No.10/2001 and 6/2002, Law No. 15/2004 on Audit of State Finance Management and Accountability, and Law No. 15/2006 on BPK. Since 2006, BPK has begun to increase its manpower and physical presence in the regions to effectively carry out its new responsibility for auditing APBDs.

In addition to the external auditing of BPK, the District Audit Board (Bawasda) under the Regional Secretary of the Bupati/Walikota's office is responsible for the internal auditing of the financial performance of the executive as a self-administered check to ensure compliance with audit requirements. The Inspectorate General under the Ministry of Home Affairs is the national coordinating body for Bawasda across Indonesia.

While Bawasda's auditing reports remain within the executive branch of the local government, the report of BPK is submitted to the DPRD as part of the Bupati/Walikota's accountability report for follow-up. Additionally, the semi annual audit report (Hapsem) of BPK is submitted to the legal enforcement authorities in relation to alleged criminal cases and to the public through BPK's website. In cases where local government financial misconduct (intentional or unintentional) is uncovered, it is reported by the head of SKPD to Bupati/Walikota and BPK.

The continuously changing legal regulations regarding regional finances and relevant institutional arrangements hamper effective financial monitoring. Laxity in auditing practices is partly due to the lack of clarity in the division of responsibilities between different auditing bodies. Also, recent change in the budget format has made comparative assessments of regional financial performance across time technically difficult (Appendix 2). Most importantly, changes in institutional responsibilities have not been accompanied by improvements in institutional capacity and resources, particularly in BPK.

The shift from a balanced budget system to a performance based budget system as required by Law 17/2003 on State Finance, if implemented, holds potential for facilitating public budget monitoring and increasing accountability. A performance based budget system would go beyond budgetary monitoring based on planned versus realised budget comparisons, and require reporting on major performance indicators such as quality and quantity of government services and their impact.

## Appendix 1: Annual Planning & Financing Process

	Stage in Process	Stakeholders	Main Documents	Process	Timeline
<b>Planning</b>	Sectoral Planning	Work Units	Renja – SKPD (Annual Sectoral Program Plan)	Based on Renstra–SKPD, Bupati's priorities and district Musrenbang, annual sectoral program plan is prepared	Jan – March
	Participatory Planning	Communities, Village Chiefs, Head of Kecamatan, Bappeda, Head SKPD	– Kecamatan Reports – District/Municipality Reports (thematic)	Meetings are held in villages, kecamatan and district/municipality to identify development projects prioritized by communities	Jan – March
	Drafting District Development Plan	Bappeda	RKPD (Annual Regional Dev. Plan)	Bappeda pulls together Renja–SKPD and projects that emerge from Musrenbang to prepare the RKPD.	March – April
<b>Budget Drafting</b>	Drafting General Policy on APBD	Secretariat under Bupati/Walikota	Draft APBD General Policy Directions (RAKU–APBD)	Based on Bupati's priorities and RKPD, general policies for APBD is drafted	April – May
	Determining Sectoral Priorities & Ceilings	DPRD Bupati/Walikota	APBD Priorities & Ceilings	Sectoral priorities and budget ceilings for APBD are determined through deliberations between DPRD & Bupati	May – July
	Drafting Sectoral Budgets	Work Units	RKA – SKPD	Based on Renja–SKPD, APBD priorities & ceilings, work units prepare detailed budget and work plans (RKA–SKPD)	July – August
	Drafting APBD	PPKD and Budget Team under Bupati/Walikota	Draft Regional Regulation on APBD	Based on RKA–SKPD, PPKD prepares the draft APBD for submission to DPRD	August
<b>Budget Approval</b>	DPRD Deliberations & Approval	DPRD Bupati/Walikota Work Units	Joint Decree on Draft Regional Regulation on APBD	Various plenary and working group meetings are held by DPRD for reviewing and revising draft Regional Regulation on APBD	Sept – Nov
	Governor Evaluation	Governor Bupati/Walikota DPRD	Regional Regulation on APBD	Upon DPRD's approval, Bupati/Walikota submits draft APBD to Governor for evaluation, and only after evaluation it can stipulated as regional regulation	December
<b>Budget Monitoring</b>	Auditing	Bupati/Walikota BPK	Accountability Report	Bupati/Walikota prepares an accountability report on previous year's APBD. BPK conducts external audit of the report.	Jan – June

## Appendix 2: Key Planning and Budgeting Document Formats

After more than 32 years implementing a dual budgeting system, in 2005, the government propose a new unified budgeting system for its Draft State Budget & Expenditures (RAPBN). Before 2001, State Budget & Expenditures (APBN) principal was a dynamic balanced budgeting, where government revenues equalled government expenditures. Since 2001 until now, the principal changed to surplus/deficit budgeting. This brought changes to the APBN format and structure from T-account to L-account. The current format and structure is composed of (i) state revenues and grant, (ii) state expenditures, and (iii) financing. This new budget format is based on Annex IVa in MoHA Regulation No. 26/2006 on Guidelines for Regional Planning & Budgeting (APBD) Formulation in fiscal year 2007.

No	Source of Funds	Indirect expenditure					Reserve fund	Capital investment	Principal debt payment	Regional loan	Total
		Indirect expenditure		Indirect expenditure							
		Apparatus	Other	Apparatus	Goods & Services	Capital					
1	2	3	4	5	6	7	8	9	10	11	12
1.1	Purely regional revenue (PAD)										
1.2	Balance fund										
1.3	Other revenue										
<b>Total</b>											
3.1.	Financing revenue										
<b>Total</b>											

### Notes:

- **Regional Own Revenue (PAD)** consists of: regional tax, regional retribution, separated regional equity, and other purely legal revenues.
- **Balance funds** consist of: tax & non-tax Shared Revenue Funds (DBH), general allocation fund (DAU), and special allocation fund (DAK).
- **Other revenues** consists of: grant, contingency funds, tax sharing from province and other government, adjustment & special autonomy funds, and financial assistance from province or other regional government.
- **Financing revenues consist of: remaining balance from last fiscal year (SiLPA)**, reserve fund liquefaction, sales of regional assets, regional loans revenue, readmission lender, and regional credit revenue.

## Renja-SKPD (Annual Sectoral Program Plan)

The structure and content of Renja-SKPD described below is based on the 2007 Renja-SKPD prepared by various SKPDs in Kendari Municipality (Southeast Sulawesi). Overall, Renja-SKPD provides a program proposal for each sector that includes goals, indicators and projects. There are five main sections to the Renja-SKPD and an appendix matrix that details out the goals, indicators, inputs, outputs, and outcomes of sectoral projects as well as a rough budget estimate for each project. The main sections provide information about the current capacity and functions of the SKPD, its vision and mission, goals and programs for the upcoming year, indicators, and a detailed project plan. The documents are approximately 20 pages in length.

<b>Budget Plan</b>			
<b>Working Unit</b>		S3B1.1	
Code	Working Unit	Year	
...	...	2006	
Activity			
...			
Indicators	Performance Standard	Performance Target	
Input	Available fund	Rp.	
Output	...	...	
Outcome	...	...	
Benefit	...	...	
Impact	...	...	
Direct Expenditure Budget per activities			
Account code	Description	Sub total	Total
	Public service		
	Operational & maintenance expenditure		
	Personnel expenditure		
	Goods & services expenditure		
Notes		Head of Working Unit	

\*Source: Annual Health Sector Program & Budget Plan Kendari Municipality Year 2007; Annual Education Sector Program & Budget Plan Kendari Municipality Year 2007.

## RKPD (Annual District/Municipality Development Plan)

The structure and content of RKPD described below is based on the 2007 RKPD prepared by Bappeda in Kendari Municipality. Overall, RKPD brings together the project proposals from the Musrenbang process and Renja-SKPD in one document of matrices. The matrices in the RKPD are categorized by function and sub-function. The columns describe the program, its expected outcomes and outputs, location and the estimated budgetary figure for each program. The document is approximately 60 pages in length.

### Proposed Program and Activity Priority Matrices Municipality Musrenbang Result Year 2006

City:  
Function:  
Sub function:

*Format A*

No.	Program Main activity	Outcomes indicator	Output indicator	Target Fiscal Year 2007	Budget allocation (Million rupiah)		Location	Responsible agency
					Fiscal year 2006	Proposed for fiscal year 2007		
1	2	3	4	5	6	7	8	9
	---	---	---	---	xxx	xxx	---	---
	---	---	---	---	xxx	xxx	---	---
	<b>Total</b>				<b>xxx</b>	<b>xxx</b>		

Head of Bappeda

Signed

(Source of fund from Provincial Budget)

### Proposed Program and Activity Priority Matrices Municipality Musrenbang result Year 2006

City: Kendari  
Function:  
Sub function:

*Format B*

No.	Program Main activity	Outcomes indicator	Output indicator	Target Fiscal Year 2007	Proposed Budget for Fiscal Year 2007 (Million rupiah)				Location	Responsible agency
					D	DP	TP	DAK		
1	2	3	4	5	6	7	8	9	10	11
	---	---	---	---	xxx	xxx	xxx	xxx	---	---
	---	---	---	---	xxx	xxx	xxx	xxx	---	---
	<b>Total</b>				<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	<b>xxx</b>	---	---

Note  
D: De-concentration Fund  
DP: Central Fund (department/body)  
TP: Assistance  
DAK: Special Allocation Fund

Head of Bappeda

Signed

(Source of fund from State Budget)

## APBD (Annual District/Municipality Budget)

The structure and content of APBD described below is based on the 2006 APBD of Kendari Municipality (Southeast Sulawesi). According to Law 32/2004 and Law 33/2004, APBD is to consist of the revenue budget, expenditure budget, and financing budget. The APBD 2006 of Kendari Municipality is a document with 418 pages that are dominated by the expenditure budget. Except for the four-page perda including a one-page summary of municipality revenues, expenditures and financing, the entire document is divided evenly between line-itemised administrative expenses listed by agencies at the municipality level, and kecamatans and kelurahans; and line-itemised expenses listed by SKPDs and sectoral programs.

### Kendari Municipality Annual Budget and Expenditure Fiscal Year 2006

#### 1. Revenue

a. Regional Own Revenue	Rp.	16.510.712.655, –
b. Balance Funds	Rp.	306.332.177.851, –
c. Other legitimate revenues	Rp.	500.000.000, –
	Rp.	323.342.890.506, –

#### 2. Expenditure

Regional Administrator		
a. General administrative expenditure	Rp.	119.189.184.191, –
b. Operational & Maintenance expenditure	Rp.	15.112.720.511, –
c. Capital expenditure	Rp.	8.306.963.961, –
	Rp.	142.608.868.663, –
Public service		
a. General administrative expenditure	Rp.	108.008.763.500, –
b. Operational & Maintenance expenditure	Rp.	30.408.195.362, –
c. Capital expenditure	Rp.	46.805.003.481, –
d. Profit sharing expenditure and financial assistance	Rp.	6.312.059.500, –
e. Contingency expenditure	Rp.	500.000.000, –
	Rp.	192.034.021.843, –
<i>Surplus / (Deficit)</i>	<i>Rp.</i>	<i>(11.300.000.000, –)</i>

#### 3. Financing

a. Revenue	Rp.	12.000.000.000, –
b. Expenditure	Rp.	700.000.000, –
	Rp.	11.300.000.000, –

\*Source: Article 1, Mayor of Kendari Municipality Regulation No. 57/2006 regarding Outline of Kendari Municipality Annual Budget and Expenditure Fiscal Year 2006.

## Appendix 3: Current Legislation

At the national level, government efforts supported by donors for issuing government regulations and presidential decrees for Law 32/2004, Law 33/2005 and Law 25/2004 are ongoing. These regulations and decrees are expected to minimise existing contradictions between laws, as well as clarify roles and responsibilities of local government agencies. While they remain key for fully implementing changes in regional administration and development planning systems, they also risk being too restrictive and encroaching onto local government authority.

### Key Laws and Regulations for Regional Heads & Deputy Regional Heads Election

**Law No. 32/2004** regarding Regional Administration

**Elucidation Law No. 32/2004** regarding Elucidation on Regional Administration

**Government Regulation No. 17/2005** regarding Changes on Government Regulation No. 6 2005 regarding Election, Determination, and Termination of Regional Head and Vice Regional Head

**Government Regulation to Replace Law No. 3/2005** regarding Changes on Law No. 32 2004 regarding Regional Administration

### Key Laws and Regulations for Regional Development Planning

- **Law No. 17/2003** regarding State Finance
- **Law No. 25/2004** regarding National Development Planning Systems
- **Law No. 32/2004** regarding Regional Administration
- **Law No. 33/2004** regarding The Fiscal Balance between Central Government and Regional Governments
- **Law No. 15/2004** regarding Audit of State Finance Management
- **Government Regulation No. 20/2004** regarding Government Working Plan (RKP)
- **Government Regulation No. 21/2004** regarding Ministry/Body Budget & Working Plan
- **Government Regulation No. 6/2005** regarding Election, Approval, Appointment, and Resignation of the District Head and the Vice District Head
- **Government Regulation No. 24/2005** regarding Government Accounting Standard
- **MoHA/Bappenas Joint Circular Letter No. 1181/M.PPN/02/2006.050/244/SJ** regarding Technical Guidance for Musrenbang Implementation in 2006.

### Key Laws and Regulations for Regional Finance

**Law No. 17/2003** regarding State Finance

**Law No. 01/2004** regarding State Treasury

**Law No. 32/2004** regarding Regional Administration

**Law No. 33/2004** regarding The Fiscal balance between the Central Government and the Regions

**Government Regulation No. 14/2005** regarding Procedure for state/region lending abolishment

**Government Regulation No. 54/2005** regarding Regional Loans

**Government Regulation No. 55/2005** regarding Equilibrium Funds

**Government Regulation No. 56/2005** regarding Regional Finance Information System

**Government Regulation No. 57/2005** regarding Grants to Regional Government

**Government Regulation No. 58/2005** regarding Regional Finance Management

## Appendix 4: List of Upcoming Government Regulations

The list of upcoming legislation is a part of The Grand Design on Decentralization.

1. Draft Government Regulation regarding Procedure for Formulating Development Plan
2. Draft Government Regulation regarding Stage, Procedure of Formulation, Monitoring and Evaluation of the Implementation of Regional Governance Planning
3. Draft Government Regulation regarding Procedure for Controlling & Evaluating the Implementation of Development Plan
4. Draft Government Regulation regarding Evaluation of Regional Administration Implementation
5. Draft Government Regulation regarding Report of Regional Administration Implementation
6. Draft Government Regulation regarding Relation of General Services between Central and Regional Governance and among Regional Governments
7. Draft Government Regulation regarding Regional Apparatus Organization Guideline
8. Draft Government Regulation regarding Loans and Regional Bonds
9. Draft Government Regulation regarding Procedure for Resumption of Loans or Foreign Grants to Regional Government/State-owned Company/Regional Government Enterprises
10. Draft Government Regulation regarding Guidelines for Regional Finance Management
11. Draft Government Regulation regarding Management of De-concentration and Assistance Funds
12. Draft Government Regulation regarding Government internal monitoring
13. Draft Government Regulation regarding Budget Realization