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WORKING PAPER 27

Critical Study on Development Planning and Budgeting in Indonesia



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Acronyms / Abbreviations/ Terms

ADIK	Arsitektur dan Informasi Kinerja (<i>Architecture and Performance Information</i>)
APBD	: Anggaran Pendapatan Belanja Daerah (<i>Regional Revenue and Expenditure Budget</i>)
APBN	: Anggaran Pendapatan Belanja Negara (<i>State Revenue and Expenditure Budget</i>)
DAK	: Dana Alokasi Khusus (<i>Special Allocation Funds</i>)
DFAT	: Department Foreign Affairs and Trade (Australia)
DPR	: Dewan Perwakilan Rakyat (<i>People's Representative Council, the Parliament</i>)
DIPA	: Daftar Isian Pelaksanaan Programme (<i>Budget Execution List</i>)
DPRD	: Dewan Perwakilan Rakyat Daerah (<i>Regional DPR</i>)
GBHN	: Garis-Garis Besar Haluan Negara (<i>Supreme State Policy Guidelines</i>)
KSI	: Knowledge Sector Initiative, Jakarta
LKPP	: Laporan Keuangan Pemerintah Pusat (<i>Central Government Financial Statements</i>)
KN Law	UU Keuangan Negara (<i>State Finances Law</i>)
MoHA	Ministry of Home Affairs
MPR	: Majelis Permusyawaratan Rakyat (<i>People's Consultative Assembly</i>)
Musrenbang	: Musyawarah Perencanaan Pembangunan (<i>Development Planning Consultative Forum</i>)
MK	: Mahkamah Konstitusi (<i>Constitutional Court</i>)
ODI	: Overseas Development Institute, London
Panja	: Panitia Kerja (<i>Working Committee</i>)
Pagu	
RK-K/L	: Rencana Kerja Kementerian / Lembaga (<i>Agency Work Plan</i>)
Renja K/L	: Rencana Kerja dan Anggaran Kementerian / Lembaga (<i>Agency Work and Budget Plan</i>)
RKP	: Rencana Kerja Pemerintah (<i>National Government Work Plan</i>)
RKPD	: Rencana Kerja Pemerintah Daerah (<i>Regional Government Work Plan</i>)
RPJMD	: Rencana Pembangunan Jangka Menengah Daerah (<i>Regional Medium-Term Development Plan</i>)
RPJMN	: Rencana Pembangunan Jangka Menengah Nasional (<i>National Medium-Term Development Plan</i>)
RPJP	: Rencana Pembangunan Jangka Panjang Nasional (<i>National Long-Term Development Plan</i>)
SKPD	: Satuan Kerja Perangkat Daerah (<i>Regional Working Unit</i>)
SPPN Law	: UU Sistem Perencanaan Pembangunan Nasional (<i>National Development Planning System Law</i>)

Executive Summary



Development planning systems in Indonesia observe various laws and implementing regulations that cover the end-to-end process of planning, budgeting, implementation and evaluation. This study focuses on planning and budgeting and seeks to identify overt and covert issues in these stages. Although two separate components, planning and budgeting constitute one stage of development. Robust planning cannot be achieved without budget support, as funding is a fundamental instrument to attain a country's goals.

Development planning and budgeting are regulated by Law No. 17 of 2003 on State Finances (KN Law), Law No. 25 of 2004 on National Development Planning System (SPPN Law), Law No. 23 of 2004 on Regional Government (Pemda Law) and Law No. 6 of 2014 on Villages (Village Law) as well as their implementing regulations, such as ministerial regulations. The laws and their regulations are based on different perspectives on development planning. The Finance Law treats development planning as a project, while the Planning Law treats function as the basis of budgeting. These laws alone create inoperability, even disconnection between planning and budgeting, and this disruption creates serious issues that affect the quality and integrity of development in Indonesia.

There are issues other than disconnected planning and budgeting, such as a lack of synergy between national and sub-national levels, different planning and budgeting timelines between national and sub-national levels, and the fact

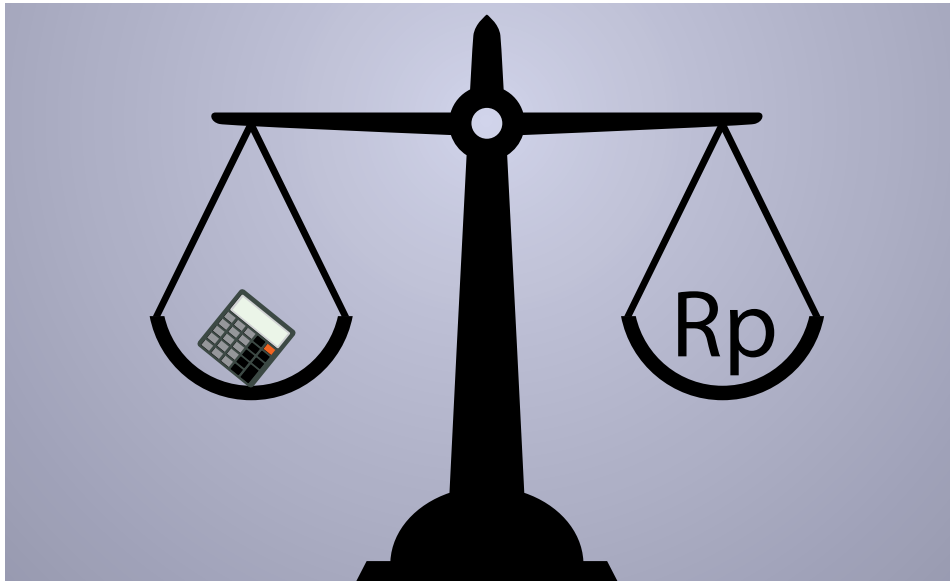
that programme approval and budgeting are not evidence-based, although the medium- and long-term planning documents are supposed to be informed by evidence.

To address this situation, we offer a number of solutions: 1) synergise the planning and budgeting process from beginning to end to produce a uniform budget cap; 2) reduce the space for budget negotiation in Parliament, which leads to inefficiency and corruption; 3) integrate planning and budgeting through a Government Regulation, and in the long term amend and codify laws on development planning and budgeting; 4) synchronise work procedures

between ministries/institutions; 5) improve the Architecture and Performance Information (ADIK) document, Government Work Plan (RKP), and Renja K/L so that these documents reflect programme locations and activities; 6) schedule simultaneous presidential and local government elections to take into account the impact of elections on development planning processes; and 7) formulate policies and guidelines that deliver assistance to evidence-based planning at national and sub-national levels.

Keywords: planning and budgeting, central-regional synergy, evidence-based planning

Introduction



A mandate from the reform era is to transform development planning to be a more robust process that adopts a participatory approach. Since the adoption of Law No. 17 of 2003 on State Finances (KN Law) and Law No. 25 of 2004 on National Development Planning System (SPPN Law), the Government of Indonesia effectively has two separate development planning and budgeting mechanisms. The first mechanism, under the Planning Law, is participatory development planning via the Development Consultative Forum (*Musrenbang*) at national and regional levels to inform the RKP. The second mechanism, under the Finance Law, is a programme financing procedure through the annual formulation of the State Budget and Expenditure (APBN). In reality, though, planning and budgeting are linked and constitute an integral process. In addition to these technocratic mechanisms, there is a political mechanism—the discussion of a RKP and Draft APBN in the Indonesian Parliament (DPR) as the state’s highest institution that has the authority to pass APBN as law.

A community participatory approach is essentially regulated in both the Planning and Finance Laws. However, in practice, having direct involvement of community members in development planning is not a straightforward process. Dense timetables and limited discussion sessions, issues in representation

methods, and limited resources lead to community recommendations (bottom-up) and government recommendations (top-down) through Regional Working Units (SKPDs) and ministries/institutions being disconnected. This is frequently cited as a reason that realising quality development planning is so difficult.

In February 2016, President Joko Widodo called all ministers in his cabinet as well as local governments, to move away from the traditional paradigm of “money follows function” and to adopt a new paradigm of “money follows programme”. The goal is to ensure that priority national and local programmes can be adequately funded. The president believes that this change of paradigm can address budget inefficiency that plagues Indonesia’s development, where funds often are allotted instead to non-priority programmes.

1.1. Critical Review of Indonesia’s Development Planning

In view of the above, the Knowledge Sector Initiative (KSI) carried out a critical review to look at the gaps between norms and practices and the bottlenecks in development planning. While similar research and studies have previously been undertaken, they have not captured current developments under the administration of Joko Widodo. They include: the enforcement of the Village Law, the “money follows programme” paradigm in budgeting that replaces the “money follows function” paradigm, and a plan to integrate planning and budgeting roles that are currently undertaken separately by the Ministry of National Development Planning (Bappenas) and the Ministry of Finance (MoF). Additionally, revisions of the Planning and Finance Laws have been included in the National Legislation Programme (2015-2019).

Will President Joko Widodo’s change initiatives, aimed to improve national development processes and policy planning, positively impact the quality of national development planning? The questions is, have the initiatives been effective at eliminating the root causes encountered by

policy makers in formulating high quality national development plans that should generate the best impacts for public welfare?

Through this critical review, we expect to identify and capture strategic issues and key obstacles in national development policy planning. Based on those issues, we formulate steps and strategies to improve and organise a national development policy planning system and process.

One of KSI’s main programmes as part of the partnership between the Governments of Indonesia and Australia is strengthening the Indonesian Government’s role and capacity in using evidence in policy planning, to produce quality and effective development planning. KSI expects this critical review to provide input and recommendations on how and where it can support the strengthening of systems and process of evidence use in formulating national development policies.

1.2. “Money Follows Programme”

In February 2016, President Joko Widodo called on all ministers in the Working Cabinet and local governments to move away from the traditional paradigm of “money follows function” and to adopt a new paradigm of “money follows programme” starting from the RKP 2017 formulation. The president believes that the “money follows programme” approach directs the focus on programmes or activities that are salient to national priorities and will generate direct impacts to society. Using the “money follows programme” approach, expenditure will no longer be distributed indiscriminately to all tasks and functions (Bisnis.com 2017).

The president is promoting the new paradigm to both central and sub-national level so that public funds can be optimised for priority programmes in respective regions. This paradigm will allow an HITS approach (holistic, integrated, thematic and spatial) to formulate the Regional Government Work Plan (RKPD). In short, the paradigm enables priority programmes to be earmarked,

relocates activities with adequate funding, while also improving the efficiency of non-priority programmes (DPRD DIY 2016).

Although the central government tried to adopt the new paradigm in RKP 2017, there is still no guideline to formulate the budget using this approach. Further, there has not been a study that explores the changes in RKP/RKPD and APBN/APBD following the introduction of this paradigm.

1.3. Study Questions

This critical study focuses on four strategic issues:

1. Development planning
2. Policies
3. Actors
4. Political process

The study also intends to answer five underlying questions:

1. What is the current national development planning and budgeting context in Indonesia?
2. How is evidence used to inform national development planning?
3. What are the strategic issues and bottlenecks that affect the quality of Indonesia's national development plan?

4. What steps and policies can be proposed to minimise bottlenecks and drive systemic improvement in formulating the national development plan?
5. Who are the key strategic partners involved in driving the systemic process of formulating the national development plan, and what are their specific roles?

1.4. Methodology

A number of methods were used to answer the study questions:

1. *Desk review*: analysing past research results and available data
2. *Focus group discussions (FGD)*: limited discussions with experts, planning and budgeting actors, and central and local government actors
3. *Key resource people interviews*: interviews with key informants from Parliament, National Audit Board (BPK), Ministry of Home Affairs (MoHA) and Bappenas.

1.5. Resource People

The researchers gained valuable information from a number of stakeholders during FGDs and interviews. The researchers would like to acknowledge those who contributed to this study, among others:

No	Name	Title/Agency
1	Andrinof Chaniago	National Development Planning Minister/Head of Bappenas 2014–2016
2	Yanuar Nugroho	Deputy II Presidential Staff Office, Former Expert Assistant to the Head of UKP4 (President Yudhoyono's Presidential Delivery Unit for Development Monitoring and Oversight)
3	Dida Heryadi Salya	Bappenas trainer Expert staff, Inter-Agency Relations, Bappenas
4	I Made Suwandi	KASN Commissioner Former DG of General Governance, MoHA
5	Eva Kusuma Sundari	Parliamentarian, PDIP Faction
6	Ledia Hanifa	Parliamentarian, PKS Faction

7	Harry Azhar Azis	Head of Indonesian BPK Former head of the Parliament Budget Committee
8	Maurist Panjaitan	Director of Local Revenues DG of Regional Financial Development, MoHA
9	Erman Rahman	The Asia Foundation
10	Sunadji Zamroni	IRE Yogyakarta
11	Ronald Rofiandri	<i>Pusat Studi Hukum dan Kebijakan (PSHK)</i> – Center of Law and Policy Studies
12	JD (Anonymous)	DG Budget, MoF

Legal Review of Indonesian Development Planning and Budgeting 2



Development planning in Indonesia has experienced a number of transformations. During the New Order regime, the concept of the *Garis-Garis Besar Haluan Negara* (GBHN), the Supreme Guideline for State Policy, was introduced and used as the only guideline for development planning at central and local levels. The People's Consultative Assembly (MPR) endorsed the GBHN for a period of five years and the president, as the owner of MPR's mandate, operationalised it.

The change of governance model, from parliamentary to presidential, impacted the relationship between MPR and the president, and the GBHN was at one point removed from the 1945 Constitution. To replace the GBHN, the government passed Planning Law No. 25/2004 (UU SPPN) during the administration of President Megawati Soekarnoputri. The law stipulates that the National Development Planning System refers to a unit of procedures of development planning to produce a long-term (20-year) development plan/RPJP, medium-term (five-year) development plan/RPJM, and short-term (one-year) development plan/RKP conducted by government agencies at all levels.

The Finance Law, on the other hand, stipulates the APBN and the regional budget (APBD) as the central and local government annual budget plans

that must be approved by the national or local parliament (DPR/DPRD). APBN and APBD hold authorisation, planning, monitoring, appropriation, distribution and stabilisation functions and are integral to the national development planning system. APBN and APBD are formulated in reference to the RKP and the Regional Work Plan (RKPD).

Diagram 1 (below) shows that planning and budgeting stages in Indonesia are linked and affect one another. This model has been maintained since the Finance and Planning Laws were enforced in 2003 and 2004, respectively. Ideally, a budget plan reflects the government's programmes articulated in the planning document. However, in practice, synergising planning and budgeting can be challenging, which will be elaborated in the next section.

2.1. National Development Planning System

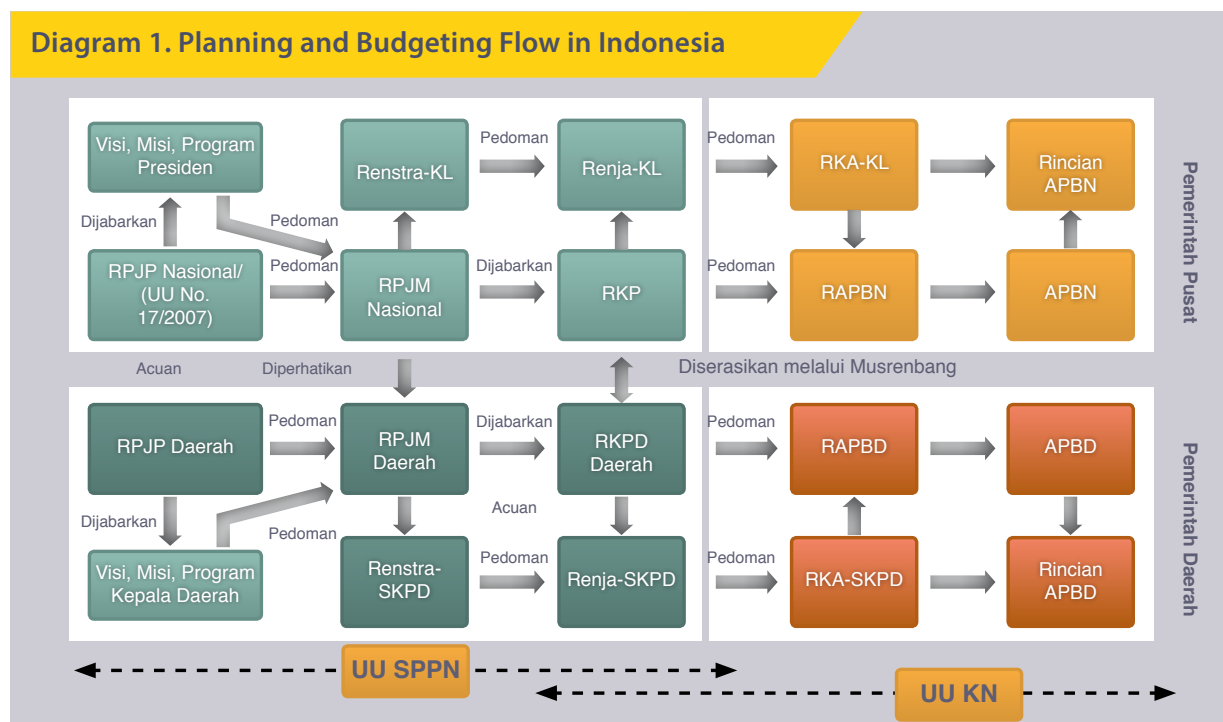
Pursuant to the Planning Law, planning is defined as a process to determine appropriate future actions by listing options and taking into account available resources. The Law also defines national development as the endeavours of all of the nation's elements to attain the national

goals. SPPN aims to:

1. Support coordination between development actors
2. Ensure integration and regional, spatial and time synchronisation, as well as central and sub-national administration governance function alignment
3. Ensure the link and consistency between planning, budgeting, execution and monitoring
4. Optimise community participation
5. Ensure that resources are utilised efficiently and effectively, fairly and sustainably.

The Planning Law outlines the scope of the national development plan: *first*, the Long-Term Development Plan (RPJP) that sets forth the development vision and mission for the next 20 years; *second*, the Medium-Term Development Plan (RPJMN) that breaks down the RPJP into five-year plans; *third*, the Annual Work Plan (RKP) that elaborates the government's annual plan based on the RPJMN. Bappenas plays a central role in formulating all three national development planning documents.

Like the national development plan, regional development plans consists of long-, medium-



Source: MoF, 2013

and short-term annual plans. SPPN mandates that the central and government development plan products be synergised.

There are a variety of legal instruments for development planning in Indonesia. Some of the key laws and regulations are:

1. Law No. 25 of 2004 on National Development Planning System (UU SPPN)
2. Law No. 23 of 2014 on Regional Government (UU Pemda, replacing Law 32 of 2004)
3. Law No. 17 of 2007 on National Long-Term Development Plan 2005-2025
4. Law No. 6 of 2014 on Village Government
5. Law No. 33 of 2004 on Fiscal Balance of Central and Sub-National Governments
6. Government Regulation No. 39 of 2006 on Control and Evaluation Procedures of Development Plan Implementation
7. Government Regulation No. 40 of 2006 on the Procedures of National Development Planning
8. Government Regulation No. 8 of 2008 on the Stages, Procedures, Monitoring and Evaluation of Regional Development Plan Implementation.

Table 1. Planning, output and elaboration stages

Stage	Description (output and elaboration)	
	National	Sub-national
Plan Formulation	<ul style="list-style-type: none"> • National Long Term Plan (RPJPN) • National Medium Term Plan RPJMN • Agency-specific Strategic Plan (Renstra-K/L) • Agency-specific Work Plan (Renja-K/L) • National Development Consultative Forum (Musrenbang) 	<ul style="list-style-type: none"> • Sub-national Long Term Plan RPJPD • Sub-national Medium Term Plan RPJMD • Regional Working Unit Strategic Plan (Renstra-SKPD) • Regional Working Unit Work Plan (Renja-SKPD) • Regional Development Consultative Forum (Musrenbang)
Plan Formalisation	<ul style="list-style-type: none"> • Law on RPJPN • Presidential Regulation on RPJMN • Presidential Regulation on RKP and Renstra-K/L • Renja-K/L 	<ul style="list-style-type: none"> • Local regulation on RPJPD • Regional head regulations on RPJMD • Regional head regulations on RKPD • Renstra SKPD • Renja SKPD
Plan Implementation Control	<ul style="list-style-type: none"> • By specific heads of K/L • Bappenas gathers and analyses results of development plan implementation monitoring from respective K/L pursuant to their scope of duties and authority 	<ul style="list-style-type: none"> • By specific SKPD leaders • Bappeda gathers and analyses results of development plan implementation monitoring from respective SKPD pursuant to their scope of duties and authority
Plan Implementation Evaluation	<ul style="list-style-type: none"> • K/L evaluates development plan implementation from previous period • Bappenas outlines development plan evaluation based on K/L evaluation • Evaluation is used to inform subsequent development planning 	<ul style="list-style-type: none"> • SKPD evaluates development plan implementation from previous period • Bappeda outlines development plan evaluation based on SKPD evaluation • Evaluation is used to inform subsequent development planning

Source: Law 25 of 2004

Other than the above regulations, there are numerous ministerial regulations that are used as the basis for regional development planning. These include the Regulation of the Home Affairs Minister No. 54 of 2010 on the Implementation of Government Regulation No. 8 of 2008 on the Stages, Procedures, Monitoring and Evaluation of Regional Development Plan Implementation.

Based on this regulatory framework, development planning can be mapped into four stages: 1) plan formulation; 2) plan formalisation; 3) control and implementation; and 4) evaluation. In detail (see Table 1) each stage has its respective outputs and issue characteristics.

Further, in terms of development planning process, the legislations recognise three types of approaches (see Table 2):

2.2.1. National Budget System

The national development budget process can be mapped to at least five stages: 1) planning, 2) formalisation, 3) execution, 4) reporting and recording, and 5) audit and accountability.

In practice, each stage of the budget process overlaps with the prior and subsequent fiscal year. The 2017 budget execution and reporting, for example, overlaps with 2018 budget planning and formalisation *and* the 2016 audit (MoF 2013) (see Diagram 2).

From the five stages in the budget process, this study focuses on the first two: planning and formalisation. Together, they are referred to as the National Development Budgeting Process. The budgeting process begins one year in advance of the budget execution year. For example, budget

Table 2. Planning and Budgeting Approach

Approach	Ideals
Political	A development plan produced from the presidential/regional leader election is the outcome of a political process, in particular the articulation of the vision, mission and social contract during the election period into RPJMN/RPJMD
Technocratic	Development plan devised using technocratic methods and frameworks by an institution or unit that has this specific functional task
Participatory	Involvement of all development actors—the government, community members such as civil society, the private sector, professionals, community/religious/cultural leaders, etc. Example: Musrenbang

2.2. National Development Budgeting System

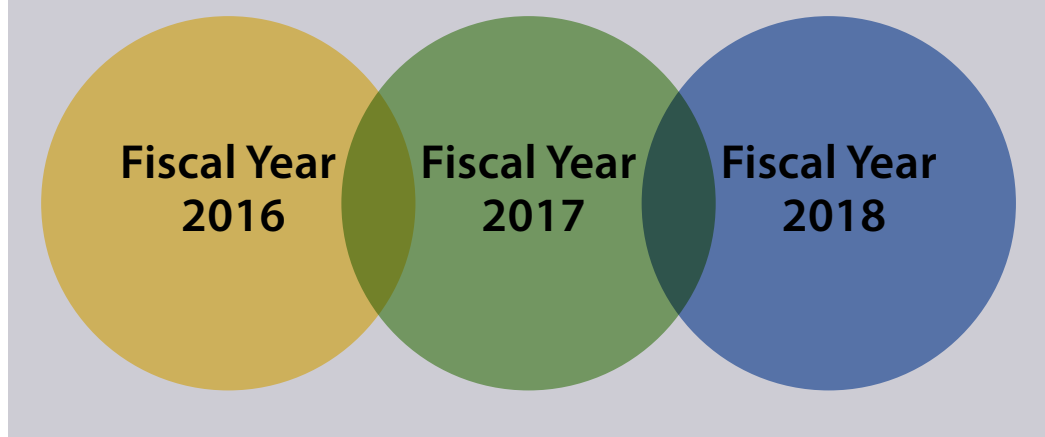
In a national development context, the budgeting system is an integral element of national development planning. Article 2 of the 2004 Planning Law states that one of the purposes of the national development planning system is to maintain consistency across all development stages—planning, budgeting, implementation and monitoring. However, the budgeting system is not regulated in an integrated manner together with all the other stages. As mentioned in previous sections, the provisions under the SPPN Law cover all other stages with the exception of budgeting.

planning and formalisation for 2018 commenced in November 2016. The three other stages of the process will not be referred to as part of the budgeting process.

Several laws and regulations serve as the legal basis of the national budgeting process:

1. Law No. 17 of 2003 on State Finances (UU KN)
2. Law No. 27 of 2009 on MPR, DPR, DPD and DPRD
3. Government Regulation No. 20 of 2004 on RKP
4. Government Regulation No. 90 of 2010 on Work Plan and Budget Formulation of Ministries/Agencies

Diagram 2. Budget Process Overlap



Source: MoF, 2013

2.2.2. Government's Budgeting Scope

The development planning process led by Bappenas leads to an annual Government Work Plan (RKP) based on the President's Policy Direction (*Arah Kebijakan*). The budgeting process is elucidated in detail in laws and regulations, and can be broadly summarised as (MoF 2013):

1. Based on the national development priorities articulated in the draft RKP and the President's Policy Direction, the Ministry of Finance and Bappenas define an indicative budget cap for K/L by taking into account fiscal capacity, baseline adjustment, studies on new initiative proposals, and evaluation of on-going programmes. The Directorate General of Budget (DJA) under the Ministry of Finance is a crucial actor in this process and determines the budget cap for specific K/L. This is announced to every K/L in March of the budget planning year by a Bappenas Circular. However, the indicative budget cap, defined between January and March of the planning year, may be revised.
2. Each individual K/L develops its work plan (Renja) based on the indicative budget cap and RKP draft. Three actors meet in this stage: 1) Bappenas, represented by sector-based directorates, 2) the Ministry of Finance, represented by DJA, and 3) K/L represented by their respective planning bureau. The agreed Renja K/L is used as a reference in refining the RKP draft and as discussion materials between the government and DPR in preliminary RAPBN discussions. The result of preliminary RAPBN discussions is likely to affect the indicative budget cap of specific K/L due to the different parameters used by the government and DPR. The Parliament, for example, may propose new initiatives or programmes, or macro-economic assumptions may be changed during the dialogue.
3. The Ministry of Finance, taking into account the result of preliminary RAPBN discussions and the indicative budget cap of a specific K/L, formulates and formalises the budget cap to be disseminated to all agencies by no later than the end of July of the planning year. At this point, each K/L is clearly informed of its appropriated budget.
4. Based on the budget cap, the K/L devises a work and budget plan (RKA). Pursuant to legislation, the Ministry of Finance and Bappenas review agency-specific RKA. The purpose is to ensure the consistency of RKA and RKP, cost standards, and budget feasibility against performance targets.

2.2.3. The Government and DPR Budgeting Scope

The review of the RKA-K/L conducted by the Ministry of Finance and Bappenas leads to the next stage, which is the submission of budgeting documents from the president to the Parliament for discussion and deliberation in August of the budget planning year—typically one day prior to Indonesia's Independence Day. The documents consist of APBN Budget Statement (*Nota Keuangan*), the draft APBN, the draft APBN Law, the RKA-K/L compilation, and other supporting

documents. The APBN will be passed and K/L will adjust their budget plans according to the APBN, agreed and formalised by the government and DPR.

Pursuant to approval, however, the budget discussion process between the government and DPR runs for three months, starting from the submission of the Budget Statement by the President to the assembly that ratifies the APBN Draft as APBN. Between August and October of the planning year, numerous government-parliament meetings take place (see Table 3).

Table 3. APBN Bill and APBN Budget Statements Discussion Process

Activity	August				September				October				Legal Basis
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Parliamentary Assembly: The president submits the APBN Bill, Budget Statements and supporting documents													(Para (1) Art. 15 Law 17/2003; Art. 156, Para (1) Art. 159 LAW 27/2009; Para (1) Art. 153 and Art. 214 Parliamentary Rules of Procedures (RoP))
General review of Parliamentary factions on APBN Bill and Budget Statements													(Para (2) Art. 150 Law 27/2009; Para (2) Art. 153 Parliamentary RoP)
Parliamentary Assembly: Government's response to the general review of factions on APBN Bill and Budget Statements													(Art. 150 LAW 27/2009; Para (4) Art. 153 Parliamentary RoP)
Meeting of Parliamentary Budget Committee and the government (Minister of Finance and Central Bank/BI Governor)													(Art. 150 & LAW 27/2009; Art. 65, 66 Parliamentary RoP)
Meeting of Commissions VII and XI and their counterparts: discussion, basic assumptions and APBN Bill													(Para (2) Art. 96 LAW 27/2009; Para (2) Art. 53 Parliamentary RoP; Art. 155 Parliamentary RoP)
Meeting/hearing between commissions and their counterparts: discussion on RKA-K/L													

Activity	August				September				October				Legal Basis
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Internal meeting: presentation on the results of meeting/ hearing between commissions and their counterparts on RKA-K/L													(Art. 65 & 107 LAW 27/2009; Art. 155 Parliamentary RoP)
Meeting of the working committees (Panja): discussion on APBN Bill and Budget Statements													(Art. 65 & 107 LAW 27/2009; Art. 155 Parliamentary RoP)
Meeting of APBN Bill drafting team													(Art. 65 & LAW 27/2009; Art. 155 Parliamentary RoP)
Meeting of Parliamentary Budget Committee and the Minister of Finance, Minister/Head of Bappe-nas and BI Governor													(Art. 159 LAW 27/2009; Para (4) Art. 155 Parliamentary RoP)
Written report on the result of Budget Committee discussions to relevant commissions by commission members sitting in the Budget Committee													(Para (2) Art. 155 Parliamentary RoP)
Commission hearings with counterparts: adjusting RKA K/L with results of Budget Committee discussion; adjustment result submitted to the committee to be formalised)													(Para (3) and (7) Art. 155 Parliamentary RoP)
Adjustment report by commissions and counterparts to Budget Committee and Ministry of Finance													(Art. 96 LAW 27/2009, Para (3) & (7) Art. 155 Parliamentary RoP)
Parliamentary Session: Report of level I discussion results to the Parliamentary Budget Committee.													(Para (4) Art. 15 LAW 17/2003; Art. 151, Art. 159, Para (4) Art. 159 LAW 27/2009, Para (5) Art. 155 Parliamentary RoP)
Verbal approval/ dis-approval by individual faction members called by Chair of Session.													
Presentation of the government's final opinion.													

Source: MoF 2013

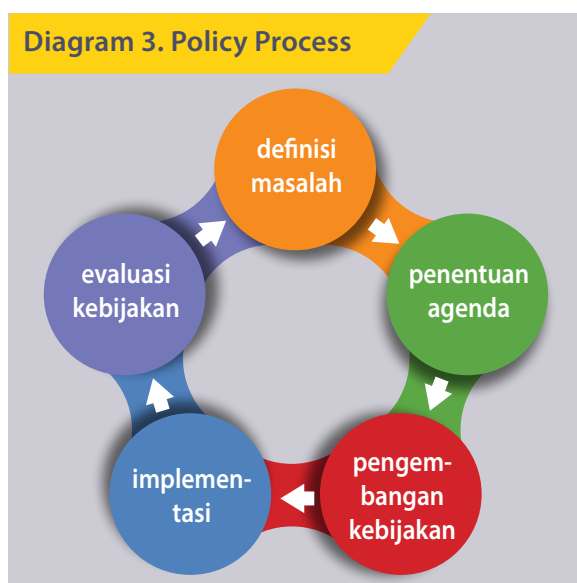
Following government and Parliamentary deliberation and approval of the APBN, the Ministry of Finance disseminates circulars to each K/L, informing them of the agreed budget. This will be used to formulate the Budget Execution Lists of specific agencies (DIPA-K/L) and APBN appropriation details enacted by a Presidential Decree, as the basis for budget execution.

Planning and Budgeting in Indonesia—the Factual Situation

3



Public policy flow is essentially a continuous process of problem definition, agenda setting, policy development, implementation and policy evaluation. This takes the process back to problem definition and continues onwards (Jann and Wegrich 2007).



Unfortunately, on paper the classic policy-making model does not reflect factual policy making that takes place. To understand this, it is important to start by acknowledging that policy making does not occur in a vacuum—it is a process that is greatly influenced by time, coordination between different agencies, interest, policy trade-offs, politics, human resources and funding resources.

Despite efforts to improve the policy-making process, the gap between theory and reality is inevitable. Diagram 3, above, is included to illustrate the policy process (a factually highly complex process) in a simpler way. Closer observation of development policy making in Indonesia, however, reveals that the diagram does not mirror existing policy practices - it is not a neat cycle.

3.1. Main Constraints to Development Planning in Indonesia

People in government and non-government alike are aware that the planning and budgeting stages are not integrated. One reason is that these stages are controlled by different units within government – planning under Bappenas and budgeting under the Ministry of Finance—which lead to numerous issues in development planning (Bappenas 2015b).

The lack of synergy between central and regional government development planning is also criticised. The weak link is apparent in the content of planning documents (RPJD and RPJMN, or RKPD and RKP) and planning and budgeting stages, and becomes more complicated as the central-regional coordination is under the authority of MoHA (Bappenas 2015).

The quality of development planning is another crucial issue. In general, evidence-based policy is still a challenging issue in Indonesia. An (unpublished) study conducted by KSI identified six main constraints to adopting evidence-based policy in Indonesia: 1) lack of funding, 2) lack of policies that encourage the use of evidence-based policy, 3) low capacity of policy makers, 4)

limited interaction between knowledge producers and evidence users in policy making, 5) limited data availability and access, and 6) poor quality research and analysis.

Diagram 4. Main constraints to development planning in Indonesia



The four main constraints (see Diagram 4) have become underlying issues of planning and budgeting in Indonesia and are the root causes of Indonesia's vague development direction, budget inefficiency and mal-administration.

3.1.1. Planning-Budgeting Disconnect

The separate regulation and responsibility over planning and budgeting—different laws, different ministries—have caused a planning-budgeting disconnect. Consequently, a planning document cannot be relied on as the sole reference for budget formulation.

The different laws of budgeting and planning also stem from different philosophical foundations. While the Planning Law is programme-oriented, the Finance Law is function-oriented (i.e. the functions of individual K/L) with respect to budget formulation (Bappenas 2015). This contributes to the failure of the “money follows programme” approach introduced and instructed by President Joko Widodo. On the one hand, planning is

Diagram 5. Disconnected development stages in Indonesia



formulated based on national priorities, while on the other hand, based on our interviews with policy makers (DPR, BPK, and MoHa), budgeting often maintains the formula of an additional 10 percent (of the previous year's budget) appropriation to each K/L regardless of whether a ministry or agency is focussing on priority programmes.

Planning and budgeting should constitute a single stage undertaken in an integrated manner. Planning and budgeting are also part of development management designed to achieve national development goals. The synergy between these stages is central to realise long-

term, medium-term and annual development plans.

From planning to budgeting, deviation occurs since Bappenas' authority as a development agency stops at formulating the indicative budget cap (*pagu indikatif*). Bappenas is not involved in budget formulation, when the responsibility shifts to the Ministry of Finance, and the Parliament. Table 4, below, shows that the role of Bappenas is limited to the planning stage, and much less so to budgeting, budget approval, execution and accountability. The diminishing role of Bappenas after the planning stage often affect development results.

Table 4. Institutions Involved in Planning and Budgeting

No	Institutions Involved	Output	Legal Basis	Stage of Involvement
1	Bappenas	RPJMN	Presidential Regulation	Planning
2	Ministry/Institution	Strategic Plan		
3	Bappenas/MoF	Indicative Budget Cap	Joint Circular/SEB	
4	Ministry/Institution	Work Plan (Renja K/L)		
5	Bappenas	RKP	Perpres	
6	MoF	Temporary Budget Cap	Minister of Finance Circular	Budgeting
7	Ministry/Institution	Work Plan & Budget		
8	Ministry/Institution	Aggregated RKA-K/L		
9	MoF	Budget Statement and State Budget and Expenditure Plan (RAPBN)		
10	Government & DPR	State Budget and Expenditure (APBN)	Law	Budget Ratification
11	MoF	APBN Breakdown	Perpres	
12	MoF & Ministry/Institution	Budget Implementation Checklist (DIPA)		Implementation
13	Government & DPR	Central Government Financial Statements (LKPP)	Law	Accountability

Based on the data in this study, the following table provides an example of deviation between RKP and RKA-K/L. For example, Bappenas conducted a check and investigation on RKP 2012 and found 505 (29.4 percent) performance indicators that were “not mapped” (Salya 2013).

Table 5. RKP and RKA-K/L Deviation in RKP 2012

NO.	PRIORITY IN RKP 2012 (BOOK I)	# PRO-GRAMMES	# AC-TIVITY	# PER. INDICA-TORS	MAPPED			%	TOTAL P. INDICA-TORS NOT MAPPED	%
					DIRECT	INDIRECT	TOTAL			
(1)	(2)	(3)	(4)	(5)	(6)			(7)	(8)	(9)
1	Reform, Bureaucracy and Governance	17	52	144	55	32	87	60.4	57	39.6
2	Education	7	22	71	26	37	63	88.7	8	11.3
3	Health	9	25	66	18	17	35	53.0	31	47.0
4	Poverty Alleviation	28	60	153	91	27	118	77.1	35	22.9
5	Food Security	27	80	322	227	22	249	77.3	73	22.7
6	Infrastructure	16	40	169	51	51	102	60.4	67	39.6
7	Investment and Business Climate	15	35	117	72	16	88	75.2	29	24.8
8	Energy	13	27	80	41	16	57	71.3	23	28.8
9	Environment and Disaster Mitigation	12	43	134	84	22	106	79.1	28	20.9
10	Disadvantaged, Frontier, Outermost and Post-Conflict Regions	25	64	219	121	12	133	60.7	86	39.3
11	Culture, Creativity, Technological Innovation	7	19	41	24	2	26	63.4	15	36.6
12	Other Economic Priorities	23	34	84	45	13	58	69.0	26	31.0
13	Other Priorities in Welfare	12	17	53	19	13	32	60.4	21	39.6
14	Other Priorities in Politics, Law and Security	10	36	62	49	7	56	90.3	6	9.7
TOTAL		221	554	1,715	923	287	1,210	70.6	505	29.4

Source: Bappenas, 2015

Note:

- *Mapped – Direct: direct link between activity indicators in RKP and activity output in RKA K/L, identified in nomenclature or activity target/volume*
- *Mapped – Indirect: performance indicators are not explicitly mentioned in the nomenclature, but substantially linked to activity output in RKA K/L*
- *Not mapped – performance indicators in RKP bear no link with/ not possible to/ difficult to translate to activity output in RKA K/L as nomenclature or substantially.*

Other than being caused by the lack of synchronicity between planning and budgeting, it is likely that the deviation also occurred as a result of political lobbying during the budgeting process where the ministry/institution, Ministry of Finance and Parliament (i.e. the budget committee or parliamentary commissions) involved. The case of the Hambalang Project is an example. Bappenas did not propose the project, nor was it included in the 2012 RKP. The Hambalang Project, which cost the state IDR 2.5 trillion in losses, was requested by the Parliament to be included as an additional budget item of the Ministry of Youth and Sports. The project was later found to be problematic and has not been resolved.

Other than the factual deviation between RKP and RKA-K/L, there are other facts that point to weak synergy between planning and budgeting. Through interviews with respondents, this research found that due to the lack of authority of budget planners in overseeing the end-to-end budgeting process, budget appropriation was susceptible to change, even when allocation had been identified in the planning document. An example of this can be observed in the government's plan to develop a double railway track in northern Java—a follow-up of the vice president's directive during a cabinet meeting. The track was targeted for operation in 2013. While RKP 2012 had appropriated funding for the

track, the definitive budget cap showed that the allocation had been shifted for the construction of a number of jetties in various locations. This resulted in a funding shortage of IDR 1.8 trillion (Salya 2013).

Further, there are significant portions of local state budget (APBD) that remain deposited in banks. At the end of December 2015, for example, the portion of APBD deposited in the BPD local branches—as the main government-owned bank in each region—was reportedly IDR 90 trillion. This surged to at least IDR 220 trillion by the end of April 2016 (Detik 2016). This is due to the lack of central-regional planning and budgeting synergy, which leads to late APBD implementation, where regional administrations only start to absorb their budget in June.

What are the impacts of disconnected planning-budgeting?

The planning-budgeting disconnect brings severe impacts to the development process and outcomes in Indonesia. The impacts captured through FGDs with experts and interviews with a number of policy makers are:

1. Politically, the planning-budgeting disconnect negatively affects the credibility of the process, as it produces a planning document that is not used as the basis on which to evaluate development outcomes.
2. In terms of governance, the application of the “money follows programme” paradigm encouraged by President Joko Widodo at ministerial and agency level fails due to incompatible planning (programme oriented) and a budgeting mindset (function oriented).
3. In terms of development priorities, the ratified budget (APBN and APBD) becomes less responsive to changes in national development priorities. Further, disconnected planning-budgeting stages also harm the success of national development implementation.
4. APBN efficiency and effectiveness are

difficult to measure due to inconsistent information in planning and budgeting documents and the poor quality of work plan documents (Renja K/L and RKP).

5. The overall process is prone to corruption due to budget lobbying.

3.1.2. Central-Regional Planning and Budgeting Synergy

Central-regional planning and budgeting synergy is another salient issue. The (lack of) synergy covers the (in-) consistency between RPJMD and RPJMN to realise national priority programmes, and budget optimisation with respect to the separation of duties between central and regional government.

FGDs with policy makers and experts revealed that there were at least five key barriers to the central-regional planning and budget synergy:

1. Ineffective separation of duties between central and regional governments
2. Duplication in central-regional planning
3. Lack of coordination in terms of central-regional policy implementation
4. Lack of two-way support, central to regional government, and vice versa
5. Poor planning alignment—vertically (central-regional) and horizontally (between sectors).

Poor synergy of central-regional planning leads to ineffective and inefficient development. Programme overlap and duplication concentrated in certain areas, where resources (budget) should benefit other programmes in other areas, consequently lead to high-cost, but low-impact development.

Central-regional task separation

The separation of duties between central and regional governments is pursuant to Law No. 23 of 2014 on Regional Government. The separation of duties is categorised into three types: absolute, concurrent and general governance. Absolute matters are under the authority of the central government and funded by the APBN, while concurrent matters are affairs of the regional government funded by the APBD. These are further divided into mandatory and optional affairs. General governance matters are regional government affairs funded by APBN (see Table 6).

Even though central government affairs cost less than regional government affairs, over the last five years (2012-2016) the total spending of central government was always higher than regional government. Yet there was a significant composition change in percentage. Within that time, the total spending of regional government increased by 43 percent, while total spending of

Table 6. Categorisation of Governance Affairs

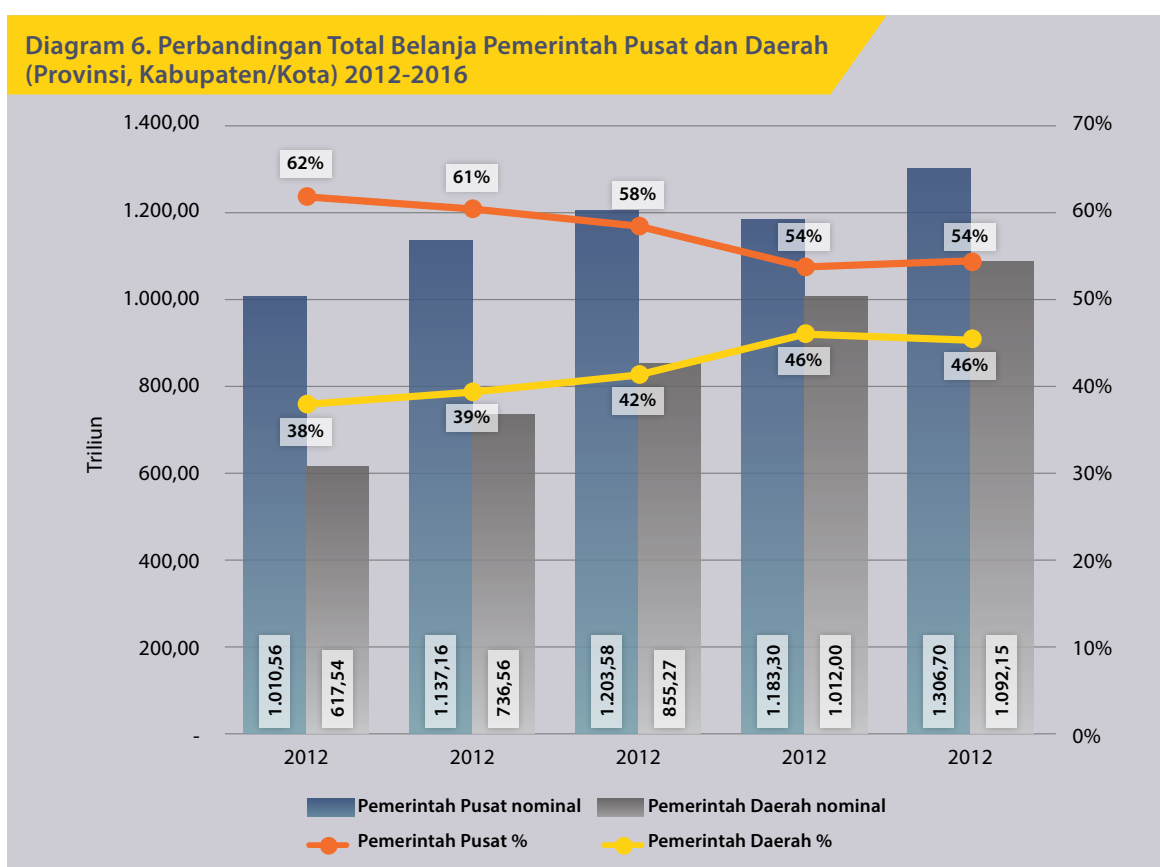
Absolute (Central Government & APBN)	Concurrent (Regional Government & APBD)			General Governance (Regional Government & APBN)
	Mandatory		Optional	
	Basic Services	Non-Basic Services		
Land	Education	Person power	Maritime and tourism	Civic education
Security	Health	Women's empowerment and child protection	Tourism	National unity
Religious affairs	Public works and spatial planning	Food	Agriculture	Harmony between different ethnic, race, religious and political groups
Jurisprudence	Housing and settlements	Land	Forestry	Social conflict response
Foreign politics	Public peace, public order, community protection	Environment	Energy and mineral resources	Coordination between regional agencies

Monetary and fiscal	Social	Population administration and civil registry	Trade	Democracy development
		Village community empowerment	Industry	
		Population control and family planning	Transmigration	
		Transportation		
		Communication & informatics		
		Cooperative		
		SME		
		Investment		
		Sports and youth		
		Statistics		
		Crypto		
		Culture		
		Library		
		Archive		

Source: Law No. 23 of 2014

central government only increased by 23 percent (see Diagram 6). Considering the high number of governmental affairs devolved to regional

governments, regional transfer and village budget dominate the allocation of state spending.



Sumber: BAKD Kemendagri dan Nota Keuangan APBN 2017, diolah

The Duplication of Central and Regional Planning

Law No. 25/2014 on Regional Government regulates the distribution of affairs as described in Table 6, above, yet interview results with MoHA show some regional government affairs still being handled by central government. This makes programme overlap and duplication highly probable. For example, the Ministry of Education and Culture still manages the procurement budget of textbooks for elementary school students and of school building construction, even though these

should be assigned to regional government.

Bappenas and the Ministry of Finance do not review the consistency of planning and budgeting in central and regional government; they only focus on the national level. MoHA is authorised to do this review, as it has a role in checking and evaluating APBD.

Two reason for this duplication is due to non-compliance by the central government ministries towards the division of authority in the Finance Law, and that they do not list the location of each programme and activity (see examples in Tables 7 and 8 below).

Table 7. Matrix of 2016 RKP

MATRIK RENCANA TINDAK PEMBANGUNAN LINTAS BIDANG Lintas Bidang Perubahan Iklim

No	Program Lintas/ Program/Kegiatan Prioritas Nasional	Sasaran	Indikator	Target 2016	Alokasi 2016 (Rp Miliar)	Penanggung Jawab Pelaksana
Kegiatan Adaptasi						
Bidang Sarana dan Prasarana						
	Program Pengelolaan Sumberdaya Air				30.953,78	
1	Pengelolaan waduk, embung, situ, serta bangunan penampung air lainnya				8.530,67	Kementerian Pekerjaan Umum dan Perumahan Rakyat
		Layanan teknis bendungan, embung dan bangunan penampung air lainnya		34	4,13	
			Jumlah Pemda/masyarakat/ dunia usaha yang diberi bim- bingan teknis perencanaan dan pelaksanaan pembangunan/ peningkatan dan rehabilitasi bendungan, embung dan ba- ngunan penampung air lainnya	34 Pemda/ masyarakat/ dunia usaha		
		Bendungan yang dibangun		22 on going bendungan/5 bendungan baru	7.048,06	
			Jumlah rencana teknis dan dokumen lngkungan bidang bendungan	4 dokumen		
			Luas lahan yang dibebaskan	719 hektar		
			Jumlah konstruksi bangunan yang selesai dilaksanakan	1 bendungan		
			Jumlah manual OP bendungan	1 manual		
		Embung dan bangunan penam- pung air lainnya yang dibangun/ ditingkatkan		124 buah	964,09	
			Jumlah rencana teknis dan dokumen lingkungan embung dan bangunan penampung air lainnya yang dibangun/ ditingkatkan	5 dokumen		

Source: 2016 RKP

Tabel 8. Renja K/L Kementerian Perindustrian 2017

Program Peningkatan Sarana dan Prasarana Aparatur Kementerian Perindustrian

1. Pembangunan, Pengadaan, Perbaikan dan Peningkatan Sarana dan Prasarana Kerja

kode	Output/Komponen	Prakiraan Maju								
		Volume/ target	Satuan Biaya	Alokasi (Juta)	Volume/Target			Alokasi (Juta)		
					2018	2019	2020	2018	2019	2020
011	Layanan Peningkatan Sarana dan Prasarana Satker Pusat dan Daerah	2		13.573,6	3	4	4	30.000,0	33.000,0	28.000,0
		7	786,9	5.508,0						
		41.367	0,2	8.065,6						
Jumlah				13.573,6				30.000,0	33.000,0	28.000,0

Sumber: Renja K/L Kementerian Perindustrian 2017

This planning duplication will eventually impact on the programme or activity. The Audit Result Report Semester I, 2016, uncovered 10,918 findings, leading to 15,568 issues. The majority (51 percent) of the issues were caused by non-compliance towards regulations, and had a financial impact of IDR 30.62 trillion. Non-compliance of the central government towards regulations resulted in a loss of IDR 659.32 million, a potential loss of IDR 1.07 trillion, and revenue loss of IDR 15.3 trillion. Meanwhile, non-compliance of regional government and regionally owned enterprises towards regulations cost IDR 1.23 trillion, with a potential loss of IDR 539.73 billion and a revenue loss of IDR 811.68 billion (Republika 2017).

3.1.3. The Alignment of the Central and Regional Planning Schedule

Other issues related to the synergy of planning and budgeting between central and regional government are the out-of-sync vertical (between central and regional government) and horizontal (inter-sectors) development plan. In 2018, regional elections will be held in 171 regions. This means there will be 171 regions developing RPJMD 2018-2022 in 2018. On the other hand, RPJMN, developed by the Joko Widodo administration, will end in 2019. Therefore, there is no longer an urgency to adjust the RPJMD to

RPJMN, as RPJMN will soon be changed, merely one year after the development of RPJMD in 171 regions.

As a result, there is discrepancy between K/L activities funded by APBN and SKPD activities funded by APBD. This is caused by the out-of-sync RPJMD and RPJMN, Renstra SKPD and Renstra K/L, as well as RKPD and RKP. Therefore, not only does MoHA need to synchronise these planning products, it must also harness the targets of SKPD activities in accordance with the priority of Renja K/L.

The central government can also shift the de-concentration and seconded duties to the regional government within special allocation funds (*Dana Alokasi Khusus/DAK*) and list the activity location in Renja K/L and RKA-K/L. By submitting the activity location, regional government could synchronise with central government activities.

Another issue is the lack of uniformity of nomenclature and codification of K/L activities funded by APBN with SKPD activities funded by APBD. The central government needs to harmonise this.

In addition to the disconnect on planning and budgeting, and the lack of synergy in planning and budgeting between central and regional government, a third issue is the lack of alignment in the development planning schedule between central and regional government. This issue not

only occurred in five-year planning (RPJMD and RPJMN development) but also in annual planning (RKPD and RKP development).

The most influential factor in this out-of-sync five-year planning between central and regional government is the scattered political electoral agenda (regional elections in the provinces and at regency/city level). This is not designed to create synergy with central government. Another issue with aligning planning and budgeting is the schedule of budget transfer from central to regional. It is always behind schedule (see Diagram 7).

The solution to this alignment problem would be to hold elections at national and regional level simultaneously and in stages, with consideration

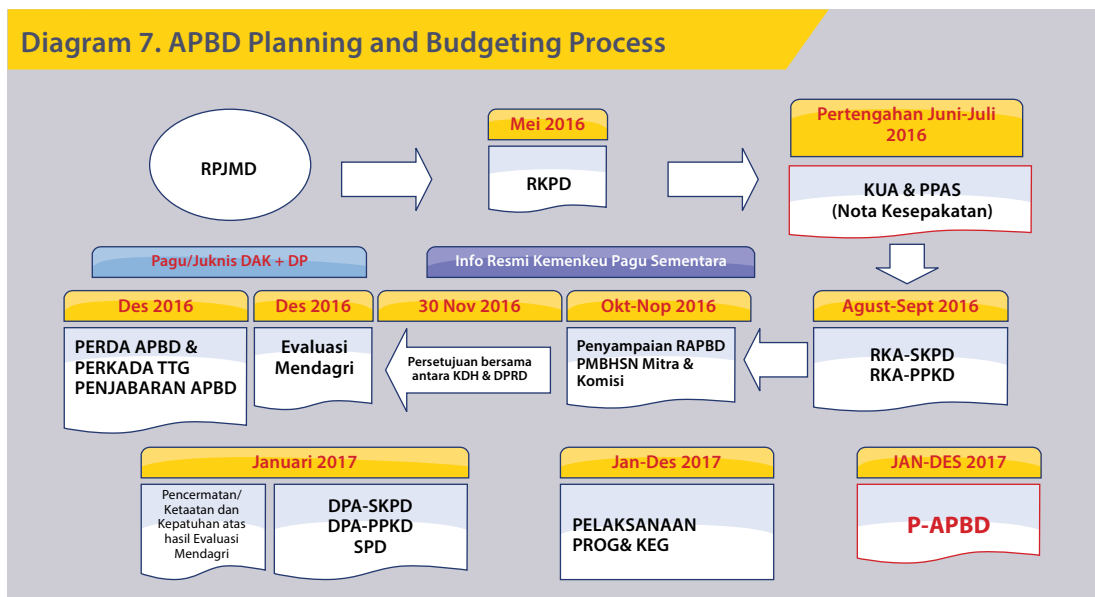
to the synergy of development planning between central and regional levels.

Another possible solution could be differentiating the budgeting year of APBN and APBD. For example, the budget year of APBN runs from January to December, while the budget year of APBD runs from April to March. This would allow the budget transfer from central to regional, as well as the establishment of APBD, to arrive in time.

3.1.4. Implementation of Evidence-Based Policy

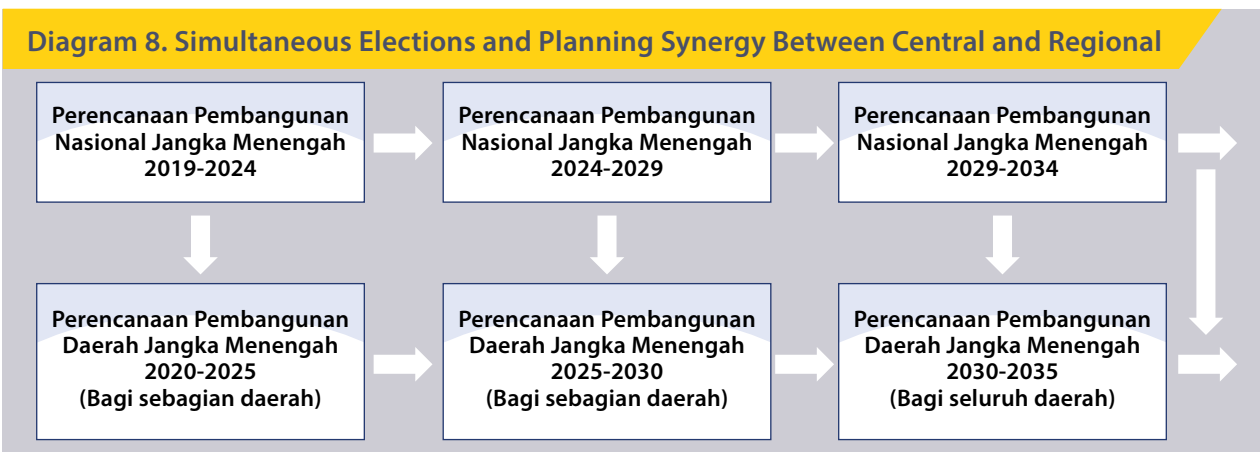
Evidence-based policy can be loosely defined as a public policy based on objective evidence. Evidence-based policy attempts to minimise

Diagram 7. APBD Planning and Budgeting Process



Source: Ministry of Home Affairs, 2017

Diagram 8. Simultaneous Elections and Planning Synergy Between Central and Regional



Source: Aser, F. (adopted from Prof. Sadu Wasistiono, 2016)

Table 9. Types of Evidence in Decision Making

Types of Evidence	Information and Influence on Decision Making
Research	Empirical evidence from randomized control trials and other trials
	Analytic studies such as cohort or case control studies
	Time series analyses
	Observations, experiences, and case reports
	Qualitatives studies
	Before and after studies
Knowledge and information	Results of consultation processes with networks/groups
	Internet
	Published documents/reports (including policy evaluations and statistical analyses)
Ideas and interests	Opinion and view - “expert knowledge” of individuals, groups, networks (shaped by past personal and professional experiences, beliefs, values, skills)
Politica	Information relevant to the agenda of government
	Political risk assessment and saleability
	Opportunity
	Crises
Economics	Finance and resources implications
	Cost effectiveness or other forms of economic evaluation
	Opportunity cost

Source: Bowen and Zwi (2005)

ideological and political influence in decision making for public policy. Evidence-based policy was popularised by the United Kingdom Government some decades ago (ODI 2005). Several scholars, such as Bowen and Zwi (2005) coined it as *evidence-informed policy* (EIP) as this term is considered more realistic.

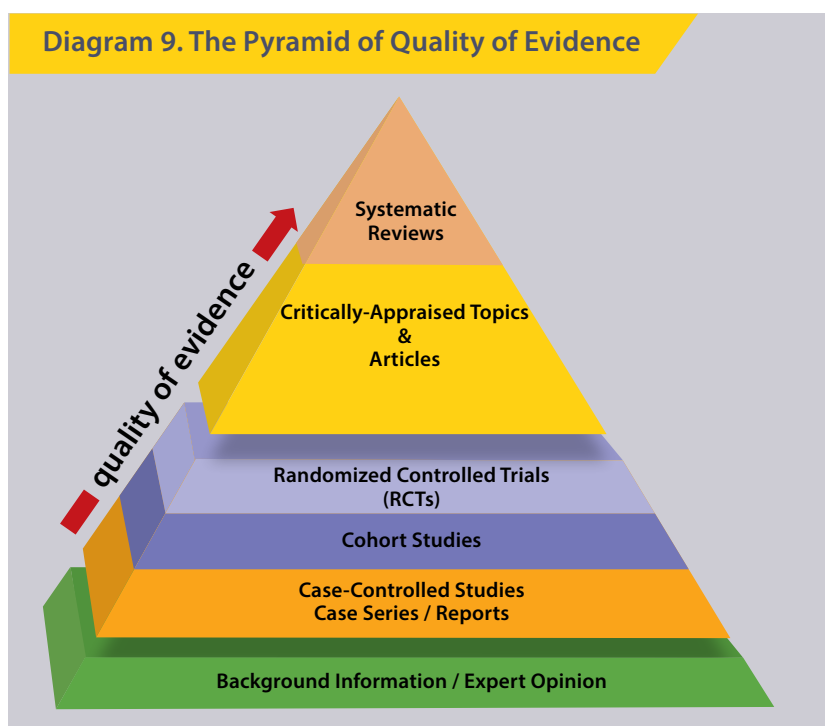
Before going further in evaluating the use of evidence in development planning in Indonesia, it is important to first understand the meaning of “evidence” itself and the types of evidence usually used in planning and budgeting in Indonesia.

Bowen and Zwi (2005) provide types of evidence that can be used to influence policy. According to Bowen and Zwi, not only can research results be categorised as evidence, but also knowledge and information collected in public consultancies, information from the Internet, and published documents such as evaluations of a programme or policy and statistical analysis results. Even expert opinion,

government agendas and implications towards state budgets are evidence that can be used to influence public policy (see Table 9).

In addition, types of evidence can be categorised based on quality. Each type of evidence has a different quality level, from low quality, such as expert opinion, to intermediate quality, such as reports, group study results and randomised controlled trials, to high quality, such as scientific articles and systematic reviews (see Diagram 9).

As illustrated by the pyramid below, systematic review is ranked as the highest quality of evidence, while expert opinion is categorised as the lowest. Opinion that states only systematic review or research can be deemed as evidence is incorrect. Systematic review or research may become the strongest evidence, but—with different quality—there is much other evidence that can be used.



Source: Dartmouth College and Yale University 2006

Is Development Planning and Budgeting in Indonesia Evidence-Based?

To answer the question above, RPJMN 2015-2019 could be used to assess how far development planning in Indonesia has used evidence as the basis for national development

planning. In general, RPJMN 2015-2019 is categorised into three books: Book I on the National Development Agenda; Book II on the Development Agenda by Sector; and Book III on the Development Agenda by Region. These three books, along with the Development Sector Matrix

Tabel 10. Use of Evidence in Planning and Budgeting Document

Document	How is evidence being used?
2015–2019 RPJMN	<ul style="list-style-type: none"> • Vision and mission of president and vice president (government agenda) translated with RPJMN by using research results data and statistical data • Data to support strategic issues mapping, such as IPM, IPG, IKG, the National Socio-Economic Survey, etc. (time series analysis) • Data from government and non-government institution review results (for example: BPS, KPU, LAPAN, <i>Kementarian</i>, KIP, IDI, etc.) • Developing programme achievement indicators based on available data
2016 RKP	<ul style="list-style-type: none"> • RKP is an annual breakdown of RPJMN • BPS data from past years in various sectors (time series analysis) • Data from government institution review results, such as the Indonesia Democracy Index • Data from international organisations from past years in various sectors (time series analysis) • Results of opinion polls or media surveys, or non-government organisations • Budget availability (finance and resource implications)

and ministry/institution matrices are attached to the Presidential Decree on RPJMN 2015-2019. In addition to RPJMN, the 2016 RKP document can be used to check how far the government's annual work plan has used evidence to determine programmes, activities and temporary budget caps.

Based on 2015-2019 RPJMN checking, several facts found that these planning documents—in a limited way—used evidence to develop the plan (see Table 10).

Various types of evidence used in the development of RPJMN and RKP are set as baselines to determine targets, programmes or activities. The 2016 RKP's innovation and technology area implicitly states that the government will advance the technology and innovation sector through research institutionalisation to improve Indonesian

competitiveness at the global level. This shows that the Government has understood the requirement for research and evidence.

Even though evidence has been used in the planning document, it cannot be used completely until the programme or activity is approved. This is due to the above discussed disconnections between the planning document (RKP) and the budgeting document which impact directly on the delivery of the funded / approved work plan (RKA-K/L and APBN).

Based on interviews with several sources, a pre-planned programme by Bappenas could be "sabotaged", as evidence does not necessarily become the basis of determining budget ceiling. One example is the programme "15 Tourist Destinations", proposed by Bappenas through a comprehensive review. However it became "10 Tourist Destinations" when implanted by the

Table 11. Factors Limiting Evidence-Based Policy Application

No	5 S	Description	Planning and Budgeting Context in Indonesia
1	Speed	Decision makers work in a situation where time is limited and there is political pressure. This causes available information or evidence to be collected wherever possible and to be used as soon as possible. This issue leads to improvisation and compromise due to limited time and political pressure, as well as wrongful decision making.	In the context of planning and budgeting in Indonesia, the tight timeline of Musrenbang from village to national level, starting from January every year, and political pressure such as the tight schedule of budgeting discussions in DPR influence the low use of evidence in the development planning process.
2	Superficiality	As decision makers have to deal with various themes without in-depth competency on all issues, they often depend on the knowledge of people who provide them with information. This leads to the question: Who should give advice to decision makers and how should they assess the given advice or information?	Government, especially regional government, lacks experts in all sectors. This produces low quality policy. A similar issue also occurs in DPR. Assignment of an individual in DPR is not necessarily based on expertise or scholarship of a board member, and can be based merely on political consideration. In addition, each commission in DPR manages many sectors.

No	5 S	Description	Planning and Budgeting Context in Indonesia
3	Spin	In the political world, perception is important. Public perception on certain issues—even if the reality is opposite to the evidence—often becomes the reference in decision making.	Currently in Indonesia, the role of public opinion has become more influential in determining public policy. Developing programmes in accordance with public opinion will be directly proportional to the popularity of related officials (president, minister or head of region).
4	Secrecy	Some evidence is confidential. Confusion often occurs when explaining a public policy based on evidence that has to be treated as a state secret.	Procurement of a presidential airplane processed by former President Susilo Bambang Yudhoyono and completed by President Jokowi was criticised as budget waste. Meanwhile, the presidential press team explained that the purchase actually saved the government rental costs. In addition, a presidential plane is crucial as protection for the president. The details of the plane's specifications and technology are state secrets.
5	Scientific ignorance	The growing phenomenon in public of apathy or disbelief towards scientific proof has influenced efforts to improving public policy based on evidence.	It is scientifically acknowledged that cigarettes cause cancer and death, and are the second biggest expenditure for the poor (after rice) which causes increased APBN spending on public health. Nevertheless, the Ministry of Trade still steadfastly increases cigarette production in Indonesia, while the Ministry of Health fights to conduct education on the dangers of smoking.

Ministry of Tourism. This “10 Tourist Destinations” was never proposed in the RKP; instead it was the result of direct lobbying by a private party to the Ministry of Tourism.

The government has attempted to strengthen evidence as a development evaluation tool through several evaluation initiatives, such as the Government Agency Performance Accountability Report, a BPK audit, a BPKP audit, and a performance review of K/L by the Ministry of State Apparatus and Bureaucracy Reform on public service delivery by the Ombudsman. However, evaluation results from these state institutions are yet to become reference points (for example in giving rewards or restrictions) for the next year's planning and budgeting. For example, a ministry/institution can receive an average 10 percent budget increase without considering the audit result from BPK or the Ombudsman's

evaluation.

Other factors limiting the evidence-based policy application in Indonesia

As explained, even though evidence has been used in the development planning document, there are still many challenges to it dominating development in Indonesia.

Sutcliffe and Court (2005) in a publication released by the Overseas Development Institute (ODI) explain that ‘5 S’ restrict evidence-based policy from being applied in public policy development (see Table 11).

Davies (2004) discusses several factors that can influence policy making in government. They are experience and expertise, judgment, resources, values, habits and traditions, lobbyists and pressure groups, and pragmatism and contingencies.

In the context of planning and budgeting in Indonesia, these factors have been proven valid. Lobbyists and pressure groups push the government to act within the framework of evidence-based policy or vice versa. For example, due to insistence from several NGOs, the Joko Widodo administration extended a forest moratorium established by former President Susilo Bambang Yudhoyono (Seskab 2015). This moratorium was extended based on a review by NGOs (pressure groups) which concluded that the Presidential Instruction on the moratorium released in 2011 by him had not been effective in decreasing the deforestation of primary forest and peat lands (Syarif 2015).

Another example involves the role of lobbyists in a negative way. When the Electronic National ID card procurement project began in 2009, an

anti-corruption commission (KPK) investigation revealed that an entrepreneur played a central role in ensuring the winning company and even could lobby to replace officials in a certain ministry (Kontan 2017). This project deviated from Law No. 23 2006 on population administration. The wrongdoing began in the planning process, as the electronic ID cards had been launched before the government actually had an integrated population grand design (ICW no year). This project was launched without any comprehensive review and is still not fully implemented.

3.2. Bottlenecks in Planning and Budgeting

Based on the description of the main problems in the planning and budgeting stage above, bottlenecks can be identified based on the type of each problem (see Table 12).

Table 12. Bottlenecks in Planning and Budgeting

Problems	Areas		
	Regulations	Institutional Actors	Political Process
Disconnect in development budget planning	<ul style="list-style-type: none"> Planning and budgeting regulated in two different laws (Law No. 17/2003 and Law No. 25/2004) Different interpretation of the implementation of Law No. 17/2003 and Law No. 25/2004 related to institutional authority The review process of the planning and budgeting document still limited on formality 	<ul style="list-style-type: none"> Final decision maker of budget ceiling in executive level before submission to legislature is not clear Bappenas as the development planner is not involved in the budgeting process Sectoral ego of K/L in scoring its own programme/ activity 	<ul style="list-style-type: none"> Still room for negotiation in budget discussion
Development planning of central region is not in sync	<ul style="list-style-type: none"> Planning and budgeting regulated in two different laws (SPPN Law and Regional Government Law) Low compliance towards regulation on authority distribution between central, provincial and regional, causing overlap in programmes/activities Location not described in RKP and Renja K/L documents causing regional government to not possess information on programmes and activities in their regions 	<ul style="list-style-type: none"> The role of regional planning and budgeting in central government is handled by three different institutions (Bappenas, MoF and MoHA). MoHA is not involved in the formulation of the budget transfer process to regions Low capacity of regional government resources in regional development Technical coordination meeting (Rakortek) between K/L and regional government is facilitated by MoHA and is yet to be the reference in determining DAK. 	<ul style="list-style-type: none"> DPRD still discusses budget details of APBD Political fragmentation between central and regional government causing heads of region more loyal to the supporting political party than central government (who often come from different political parties)

Central-regional planning and budgeting timeline unaligned	<ul style="list-style-type: none"> • Law No. 17/2003 (UU KN) regulates planning and budgeting between central and regional governments conducted according to different schedules 	<ul style="list-style-type: none"> • High number of institutions required to be involved in this process: MoHA Bappenas, the Ministry of Finance, K/L 	<ul style="list-style-type: none"> • General and regional elections yet to be run simultaneously and yet to consider the relationship with development budget planning
Development planning is not based on evidence	<ul style="list-style-type: none"> • Yet to be a clear regulation mandating the use of evidence in national development planning • Budgets are not based on plans 	<ul style="list-style-type: none"> • Planners lack capacity especially at province and regency/city level • MoF and DPR have political imperatives 	<ul style="list-style-type: none"> • The legislature has limited data related to development planning, causing loss of control of the data submitted by the executive

Solutions and Strategic Partners



4.1. Civil Society

Efforts to minimise bottlenecks and encourage systemic improvements in planning and budgeting through formal legal actions started in 2014, when a coalition of NGOs submitted a judicial review to the Constitutional Court (MK) on Law No. 27/2009 on the Legislative Institution (UU MD3) and Law No. 17 of 2003 on State Finances. The judicial review was submitted to minimise on-going transactional practices (read, corruption).

As a result, in May 2014, the Constitutional Court granted the judicial review. It decided to annul the authority of the budget committee of DPR to discuss budget paragraphs technically with government. The MK assembly reasoned that discussion conducted by the DPR committee on activities and type of spending of each ministry or government institution was beyond its authority, as technically it is a government function. However, the committee will limit its tasks discuss and approval draft APBN plans and APBN Laws, along with the government (Hukum Online 2014). In its decision, Constitutional Court repealed the phrases, “activity, and type of spending” in Article 15 paragraph (5) of the State Finances Law; “and activity” in Law No. 107 paragraph (1) letter c MD3 Law; “interactivity and intertype of

spending” in Article 156 letter c number 2 letter (c) MD3 Law; “and activity” in Article 157 paragraph (1) letter c MD3 Law; and “activity, and type of spending” in Article 159 paragraph (5) MD3 Law.

The court provided a constitutional interpretation of Article 71 letter g MD3 Law, which stated that it is contradicting the 1945 Constitution when being interpreted as, “there will be further discussion process after the APBN Bill is promulgated to APBN Law”.

The court also shared an opinion on the practice of applying “asterisks” (*bintang*) to certain budget lines. These asterisks are interpreted by DPR as do not disburse the budget until the problem causing the application of asterisks is resolved. According to the court, this practice of blocking or applying asterisks on certain ministry or institution budget lines causes legal uncertainty, and it is already part of APBN implementation. In reality, DPR often requested kick-backs in return for “deleting the asterisk” (*mencabut bintang*). This is not part of DPR’s monitoring function, as DPR’s authority is limited to approving RAPBN and monitoring budget.

4.2. The Government

At the end of January 2017, President Jokowi instructed Bappenas and MoF to joint develop a Government Regulation (PP) on integrating the planning and budgeting. This regulations was approved in May 2017 as PP 17/2017 on Synchronization of National Development Planning and Budgeting. This regulation is expected to solve several problems attached to planning and budgeting in Indonesia. Points expected to be achieved through this integration process are (Setkab 2017):

1. Close down space for negotiation and intervention towards budget planning, as the planning process is conducted by Bappenas, while budgeting is conducted by the Ministry of Finance. The government will regulate this process into one government regulation.
2. Avoid inefficiency and budget leaks due to

use of state budget that is not aligned with national priorities and RKP.

3. Eliminate two different working committees (planning and budgeting) in shared discussion with DPR.
4. Assist the president and vice president to monitor and check the performance of ministries/institutions. This has not been able to be done due to the “tug of war” between Bappenas and the Ministry of Finance.

The development of the PP was not easy. Bappenas has worked on the early draft of RPP since 2014. According to the PP, the Ministry of Finance agrees to monitor the national priority programme and activity from planning and budgeting to implementation, so that no priority programme is cut off midway. In addition, the government regulation can also make the roles of Bappenas and the Ministry of Finance more efficient, as the development planning process is no longer overlapping.

4.3. Possible Solutions and Interventions

Even though MK has annulled DPR’s authority to discuss the “project list”¹ and award asterisks, it is not enough to eradicate planning and budgeting practices that do not comply with good governance and planning, as the root of the problem is still left untouched. Therefore, targeted solutions to each of the bottlenecks are required. These solutions can be mapped (see Table 13, below).

¹ *Satuan tiga* is a unit in APBN that details information of activity type, targets and budget amount.

Areas	Bottlenecks	Solutions	Institutions
Regulation	Planning and budgeting regulated in two different laws (Law No.17/2003 and Law No. 25/2004)	<ul style="list-style-type: none"> In the long term, revise the SPPN Planning Law and KN Finance Law into a single Law on Planning and Budgeting In the long term, government must develop a single institution to manage planning and budgeting by integrating existing institutions, such as the US Office of Management and Budget 	<ul style="list-style-type: none"> Bappenas MoF Vice President's Office DPR
	Different interpretations on the derivative of Law No. 17/2003 and Law No. 25/ 2004 related to the institutional authority	<ul style="list-style-type: none"> Monitoring of PP 17/2017 on Synchronization of National Development Planning and Budgeting 	<ul style="list-style-type: none"> Vice President's Office Coordinating Ministry for the Economy Executive Office of the President Bappenas MoF
	Architecture and Performance Information (<i>Arsitektur dan Informasi Kinerja/ ADIK</i>) yet to be uniformed	<ul style="list-style-type: none"> Improving ADIK: <ul style="list-style-type: none"> Ministry of Finance, MoHA Bappenas and other ministries/ institutions must have the same terminology for programs and activities Declassification programme cost should become "service cost" and "non-service cost" 	<ul style="list-style-type: none"> Executive Office of the President MoF Bappenas MoHA K/L
	Planning and budgeting in central and regions regulated in two different laws (SPPN Law and Regional Government Law)	<ul style="list-style-type: none"> In the long term, regulations must be unified into a single Law on Planning and Budgeting Presidential Decree or Government Regulation is required to regulate the synergy of central and regional planning, especially for programmes with national priority 	<ul style="list-style-type: none"> Bappenas MoF MoHA
	Low compliance towards regulation on authority distribution between central, provincial and regional, causing overlapping programme/activity	<ul style="list-style-type: none"> Government rigor is required in complying with regulations and giving sanction to digressing K/L. BPK audit result must become the reference in evaluating government performance, especially related to the findings on overlapped programmes/activities 	<ul style="list-style-type: none"> Executive Office of the President BPK
	Location not being described in RKP and Renja K/L documents causing regional government to not have information on programmes/ activities in their regions	<ul style="list-style-type: none"> Improving RKP and Renja K/L by adding information on programme / activity location 	<ul style="list-style-type: none"> Bappenas K/L

Areas	Bottlenecks	Solutions	Institutions
	Law No. 17/2003 regulates planning and budgeting between central and regional conducted in accordance with electoral cycles	<ul style="list-style-type: none"> Harmonisation of planning and budgeting in one cycle Differentiating the budget year between central and regional governments 	<ul style="list-style-type: none"> Bappenas MoF MoHA
	Lack of clear regulation mandating the use of evidence in national development planning	<ul style="list-style-type: none"> Evidence use needs to be confirmed in a regulation, at least a Presidential Decree for central government and Regulation of Minister of Home Affairs for regional government with inclusion of guidance on evidence-based planning development 	<ul style="list-style-type: none"> Executive Office of the President Bappenas MoHA
Institutional actors	Final decision maker of budget ceiling at executive level before submission to legislature is not clear	<ul style="list-style-type: none"> Single budget cap that cannot be revised without approval from Bappenas 	<ul style="list-style-type: none"> President
	Bappenas as the development planner is not involved in the budgeting process	<ul style="list-style-type: none"> Bappenas together with the Ministry of Finance involved since the beginning of the planning process until APBN is passed 	<ul style="list-style-type: none"> Bappenas MoF
	Sectoral ego of K/L in scoring its own programme/ activity	<ul style="list-style-type: none"> Alignment of out-of-sync working process across K/L 	<ul style="list-style-type: none"> K/L
	The role of regional planning and budgeting in central government is handled by two different institutions	<ul style="list-style-type: none"> Better synergy between Ministry of Finance and MoHA 	<ul style="list-style-type: none"> MoF MoHa
	MoHA is not involved in formulation process of budget transfer to regions	<ul style="list-style-type: none"> MoHA needs to be involved in fund transfer formulation process so that the role of supervision and evaluation can be maximised 	<ul style="list-style-type: none"> MoF MoHA
	Low capacity of regional government resources in regional development planning areas causing regional planning to be out of synergy with central level	<ul style="list-style-type: none"> Supervision on regional development planning by maximising the role of MoHA Increasing the capacity of Bappeda as the planner at regional level 	<ul style="list-style-type: none"> MoHA Pemda
	Technical coordination between K/L and regional government, which is facilitated by MoHA, is yet to be the reference point in determining DAK	<ul style="list-style-type: none"> Maximising the function of Rakortek to be the forum for synergic central and regional planning, including as one of the references in determining DAK 	<ul style="list-style-type: none"> MoHA
	High number of institutions required to be involved in this process, MoHA Bappenas, Ministry of Finance, Line Ministries	<ul style="list-style-type: none"> The roadmap of central and regional synergic planning needs to be developed together by Bappenas, MoF, MoHA, and KPU. 	<ul style="list-style-type: none"> Bappenas MoF MoHA Election Commission (KPU)
	Planners lack capacity, especially at province and regency/city level causing regional planning not to be based on evidence	<ul style="list-style-type: none"> Increasing the capacity of regional planners in order to understand the importance of evidence-based policy as well as having technical skills in developing evidence-based planning 	<ul style="list-style-type: none"> Bappenas

Areas	Bottlenecks	Solutions	Institutions
Political process	Room for negotiation on budget discussion is still wide open	<ul style="list-style-type: none"> • Close down room for negotiation on budgeting that may trigger inefficiency and corruption 	<ul style="list-style-type: none"> • MoF • Bappenas • K/L • DPR
	DPRD still discusses the APBD project list	<ul style="list-style-type: none"> • Regulation is required to prohibit DPRD from discussing budget details in RAPBD discussions. This regulation can be released as a Presidential Decree or Regulation of the Minister of Home Affairs. 	<ul style="list-style-type: none"> • President • MoHA
	Political fragmentation between central and regional government causing heads of regions to be more loyal to the supporting political party than central government (who often come from different political parties).	<ul style="list-style-type: none"> • Simultaneous general election and regional election will minimise political fragmentation 	<ul style="list-style-type: none"> • KPU • MoHA
	General election and regional election yet to be run simultaneously	<ul style="list-style-type: none"> • General election and regional election conducted simultaneously in order to consider the synergy of central and regional planning 	<ul style="list-style-type: none"> • KPU • MoHA
	The legislature has limited data related to development planning causing loss of control over the data submitted by the executive	<ul style="list-style-type: none"> • Data used in planning document need to be open to the public • Improvement in data integrity and reliability 	<ul style="list-style-type: none"> • Executive Office of the President

The stakeholders mapped above only come from the government element. Non-government elements, such as NGOs, think tanks and the media continue to be important stakeholders who need to be involved. They can take on the role of building public opinion, pressure and policy advocacy as well as providing assistance to increase the capacity of regional government.

Among the solutions above, several are categorised as **quick wins** and can be delivered within the next one to two years. These quick wins can also be inputs for KSI to conduct programme interventions, such as:

1. Monitoring RPP National Development Planning and Budgeting. This RPP is also the basis to close down room for budget negotiation in DPR and regulate a single budget cap.
2. If a government regulation is issued,

support can be given for its implementation.

3. Improving the Architecture and Performance Information (ADIK).
4. Improving RKP and Renja K/L by adding information on the location of programmes/ activities.
5. Supervising regional development planning by maximising the role of MoHA.
6. Maximising the function of Rakortek between MoHA with K/L to synergise national and regional priority programmes.
7. Developing regulations and guidance in evidence-based planning for regional government.
8. Increasing the capacity of Bappeda as a planner at regional level.
9. Increasing the capacity of planners in regions in order to understand the importance of evidence-based policy,

as well as having the technical skills to develop evidence-based planning.

The intermediate term solutions that can be delivered in the next three to five years are:

1. Involvement of MoHA in the fund transfer formulation process in order to maximise the role of supervision and evaluation.
2. Joint development of a roadmap of central and regional synergic planning by Bappenas, MoF, MoHA, and KPU.
3. Improvement of the integrity, reliability and availability of data used in planning documents that need to be open to the public.

The long-term solutions (five years and above) that can be done:

1. Revision of the Planning Law and the Finance Law into single Law on Planning and Budgeting. This law should also regulate the synergy of planning and budgeting between central and regional governments.

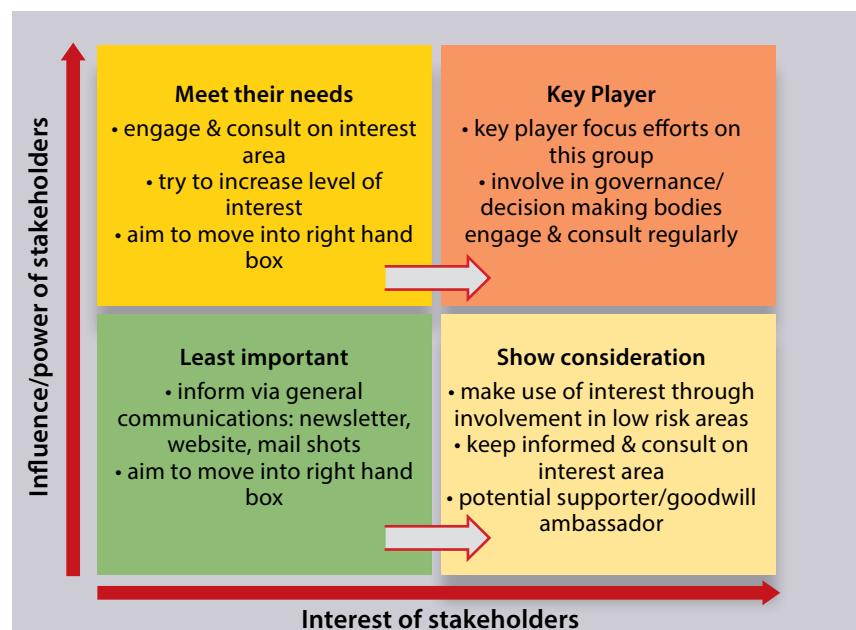
2. Government needs to build one separate institution to manage planning and budgeting by integrating existing institutions.
3. Simultaneous general election and regional elections by considering the synergy of central and regional planning.

4.4. Strategic Partners

The tool places identified stakeholders into four categories:

1. **Key players:** Stakeholders in this category are considered key stakeholders, as they have high interest and influence or power. These stakeholders are the main focus and should be involved routinely in every applied intervention.
2. **Meet their needs:** Stakeholders in this category are those with relatively low interest and influence or power. This group still needs to be involved in the process by increasing their interest towards advocated issues. In the end, this group is expected to transform into key players.

Diagram 10 Stakeholder Analysis and Mapping



Based on Eden and Ackerman 1998

3. *Show consideration*: Stakeholders with high interest yet relatively low influence or power. People in this group have the potential to become supporters therefore they need to be involved based on each of their interests.
4. *Least important*: This group has limited interest, influence or power, yet it needs to be informed on on-going advocacy. If possible, its level of interest could be improved.

4.4.1. Stakeholders in Planning and Budgeting Integration

By using the tools mentioned above, stakeholders relevant in the process of planning and budgeting integration can be illustrated as (see Diagram 11):

The top right quadrant shows the key players in planning and budgeting integration: the Deputy II of the President's Staff Office; the Vice President's Secretariat; and the Minister for National Development Planning/Head of Bappenas (including expert staff of the Inter-

agency Relations unit and Bappenas Policy Analysis Centre).

The Ministry of Finance (with the Director General of Budgeting) has strong influence, but little interest, in this integration activity. The coordinating State Minister for the Economy shares this low interest, even though the president assigned the ministry the coordinating role for RPP development for budgeting and planning integration. Attempts need to be made to increase their interest to ensure that RPP development and its future implementation run successfully.

Public opinion on the importance of planning and budgeting integration also needs to be encouraged by involving NGOs (especially the budget group) and media so it becomes a national issue and its importance understood by all components of Indonesia.

4.4.2. Stakeholders in Central-Regional Synergy and Timeline Alignment

The following stakeholders are required to be involved in the process of synergising central

Diagram 10. Stakeholder Analysis of Planning and Budgeting Integration

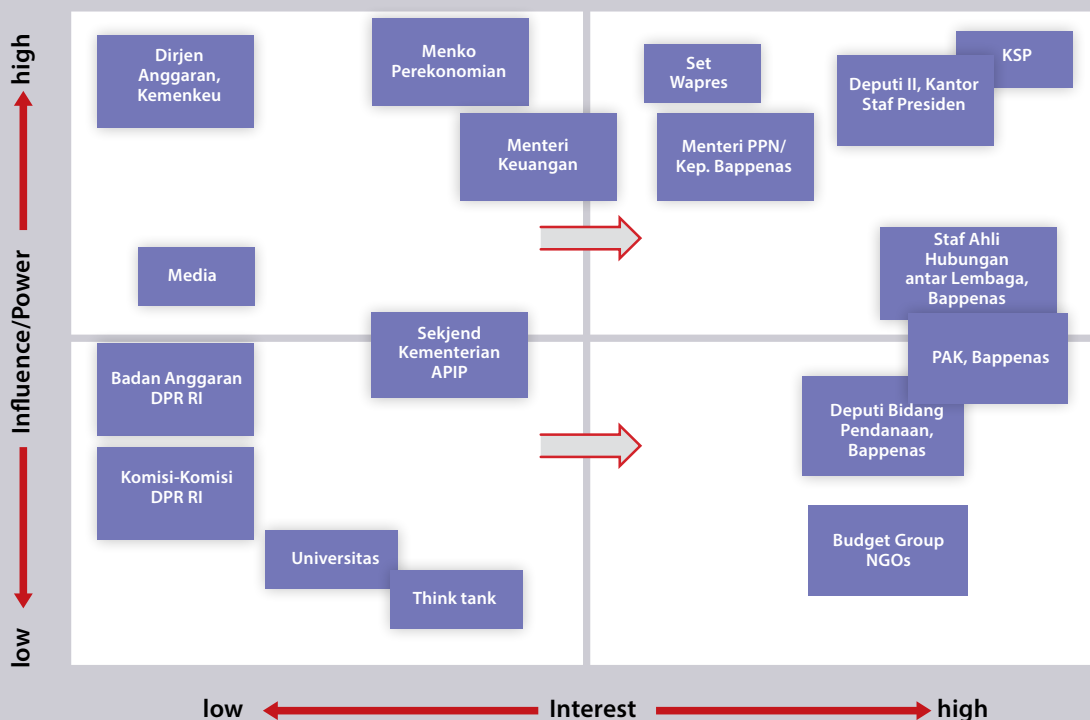
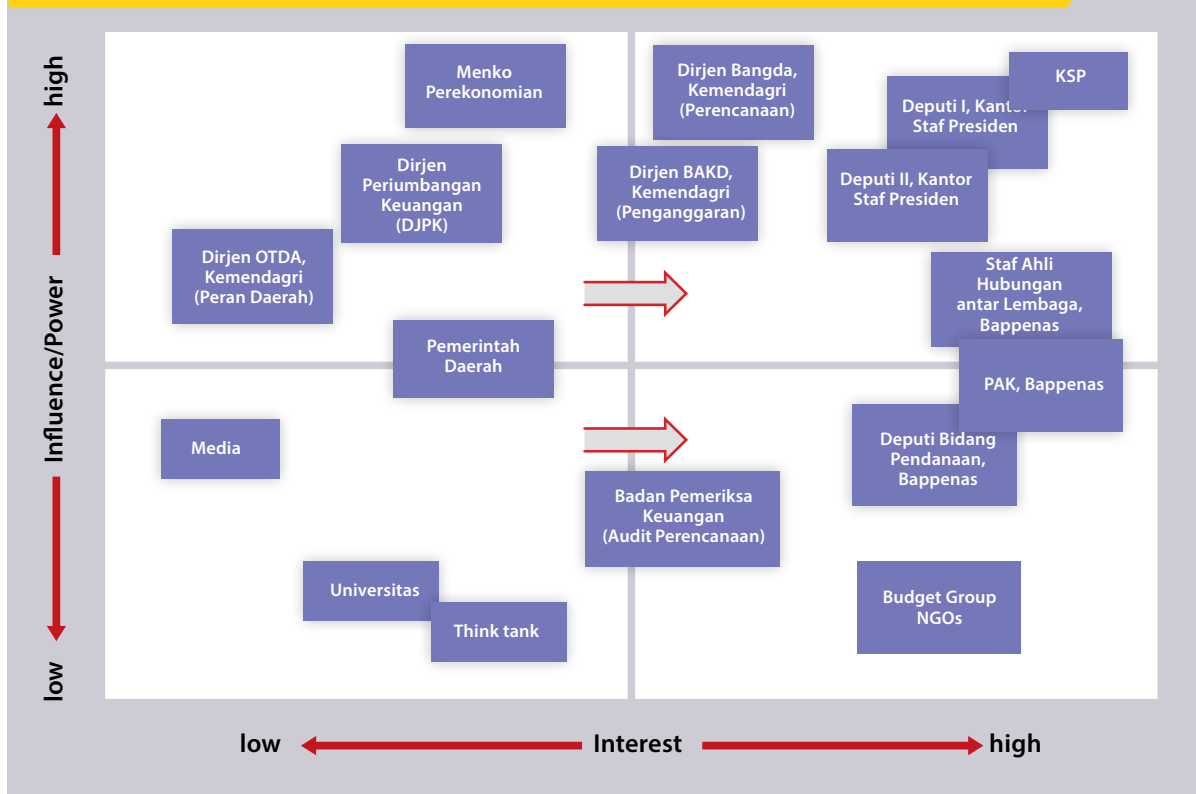


Diagram 11. Stakeholder Analysis of Central-Regional Synergy and Timeline



and regional levels and aligning the planning and budgeting timeline (see Diagram 11):

Deputy I and Deputy II of the Executive Office of the President are the key players, along with MoHA (DG Regional Development/Bangda and DG BAKD) in the central-regional synergy and timeline alignment. Bappenas, especially the Inter-Agency Relations Expert Staff, is also a key player. DG Bangda and DG BAKD of MoHA are the key actors in synergising central-regional planning and budgeting, and therefore need to be involved in advocacy.

The Audit Board (BPK) with its role to audit planning (as part of the *Central Government*

Financial Statements, LKPP) delivered to DPR) also has high interest, even though its authority is limited. BPK can be involved in supplying findings on LKPP and as the party that can provide advice to improve the performance of central and regional government.

The Ministry of Finance, in this specific context the DG of Fiscal Balance (DJPK), has influence and power, yet little interest in synergic planning and timelines in regional government. The Ministry of Finance, via DJPK needs to be prompted, as it has the authority to formulate and transfer budget from central to regional level.

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Agung Wasono was born in Magelang, a small city in central Java, Indonesia. He has a Bachelor Degree in Law and three Master's degrees: Master of Planning and Public Policy from Universitas Indonesia, Master of Public Policy and Governance from UNSW Australia, and Master of Development Studies, also from UNSW.

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