



Governance of Central and Regional Planning and Budgeting Synchronization Networks in Indonesia

Irma Sakty¹, M. Thahir Haning¹, Nurdin Nara¹, Syahribulan Syahribulan¹

¹Doctoral Program of Public Administration, Faculty of Social and Political Sciences,
Hasanuddin University
irmasakti20235@gmail.com

Abstract. The study aims to investigate the governance of central and regional planning and budgeting synchronization networks in Indonesia. The research design used is qualitative. The unit of analysis for this research is the Ministry/Institution and other stakeholders involved in synchronizing central and regional planning and budgeting, namely the link between planning and budgeting at the district, provincial, and central levels. The research results show that The governance of central and regional planning and budgeting synchronization networks in Indonesia has several challenges that need to be overcome. Complexities in planning and budgeting, lack of adequate coordination, variations in the role of Coordinating Ministries, and limited resources in regions are crucial problems. Improvement efforts should focus on developing more precise guidelines, more effective communication, strengthening the role of the Coordinating Ministry, better resource allocation, and increasing capacity at the regional level.

Keywords: Governance, Networks, Budgeting Synchronization

1 Introduction

Development is a human activity with complex problem dimensions that continues to change dynamically and contains wide differences in substance. In the development process, every country requires a set of values or goals to be achieved as a reflection or representative of its people's common interests/decisions. To achieve and implement these shared decisions or values, each country tries to develop ways of governing, moving, directing, or managing available resources (human, financial, material) effectively and efficiently. This is where the government needs to be able to formulate development plans that are systematic, credible, and implementable in achieving the ideals and objectives as well as the people's trust.

Stages in the development process include planning and budgeting. Planning is determining appropriate future actions considering the resources available to realize the stated goals. Meanwhile, budgeting is the process of allocating limited resources from the many development goals that have been planned. In its implementation, good planning will be helpful if it is balanced with providing resources, including an adequate budget.

Planning and budgeting are part of government management, which can be designed to realize efficiency and effectiveness in developing national goals and ideals. The government produces a planning system that contains vision, mission, strategy, policies, programs, and activities, which must be in an integrated process order and even integrated with the budget. A prerequisite for achieving development goals is coordination and synchronization through national and regional planning and budgeting unification. Synchronization of national development planning and budgeting is a process of integrating and strengthening the preparation of national development plans and budgets as well as controlling the achievement of development targets.

Achieving national development targets is greatly influenced by the integration, synchronization, and synergy of national and regional planning and budgeting, but in practice, national and regional development planning and budgeting are not integrated into one good function.

The reality is that the development planning and budgeting process is not well integrated due to institutional problems where the planning process is regulated by Law Number 25 of 2004 concerning the National Development Planning System, which has so far been under the coordination of the Ministry of National Development Planning/Bappenas, while the budgeting system is regulated by Law Number 17 of 2003 concerning State Finance which is under the coordination of the Ministry of Finance. Meanwhile, the authority to carry out development synergy between the center and the regions is under the coordination of the Ministry of Home Affairs and is regulated by Law Number 23 of 2014 concerning Regional Government and Minister of Home Affairs Regulation No. 86 of 2017 concerning Procedures for Planning, Controlling, and Evaluation of Regional Development, Procedures for Evaluation of Draft Regional Regulations Concerning Regional Long-Term Development Plans and Regional Medium-Term Development Plans, as well as Procedures for Amendments to Regional Long-Term Development Plans, Regional Medium-Term Development Plans, and Regional Government Work Plan.

Central and regional planning and budgeting, regulated by separate laws and carried out by different ministries, cause disconnection and are vulnerable to incompatibility or unsynchronization. The problem of unsynchronization between planning and budgeting that occurs between the Central and Regional Governments (Provincial/Regency/City) can be seen in the President's development priorities in the 5-year Development Document (RPJMN), which are often different from the 5-year Regional Head Development Planning Document (RPJMD).

Central and regional planning that is not synergistic causes development to be ineffective and inefficient. Development costs are high, and the benefits are not optimal because of the overlap and duplication of programs in one location. In fact, resources (budget) should be used for programs in other locations.

In order to close gaps that have the potential to give rise to irregularities in national and regional development planning and budgeting, the Government continues to strive to make improvements.

The middle path is to issue Government Regulation Number 17 of 2017 concerning the Synchronization of National Development Planning and Budgeting Processes. Synchronization of National Development Planning and Budgeting is carried out to increase the integration of planning and budgeting, which is of higher quality and effectiveness to achieve national development targets under the President's vision and

mission as outlined in the National Medium Term Development Plan and RKP using a thematic, holistic, integrative and spatial approach.

This regulation is quite specific in regulating the authority of each actor in the planning and budgeting process, but its implementation is not yet fully synchronized and maximally integrated down to the regional (provincial, district/city) level. The World Bank report confirms that the process of synchronizing planning and budgeting for infrastructure development under PP 17 of 2017 still does not significantly impact economic growth and employment (The World Bank, 2018).

Synchronization and Synergy of National Development Planning for 2022 has only been realized at 93.78%. The lack of maximum achievements influence this: (1) integration between the 2023 RKP and the K/L Renja; (2) Synchronization of the 2023 RKP with the 2023 RKA K/L; (3) synergy of Regional KEM Alignment with the 2023 RKP; and (4) synergy of central and regional planning.

Central-regional synergy alignment is still 90.83%. Factors that influence this are ineffective coordination, communication, and cooperation between the Central and Regional Governments and the lack of regional understanding in efforts to synergize national development planning and budgeting in the regions to achieve national development priorities.

Five main problems cause the central and regional planning and budgeting documents out of sync: First, there is an ineffective division of affairs between the central and regional governments [5]. Second, there is a lot of duplication of central planning by regions. Third, there is a lack of coordination in implementing central and regional policies. Fourth, there is a gap between central and regional governments in fiscal capacity and human resources. Fifth, there is a difference in the timing of the presidential and regional head elections. Regional development proposals (bottom-up) on a national development scale effectively receive an allocation portion only in the Special Allocation Fund (DAK) scheme.

The process of synchronizing central and regional planning and budgeting is basically a process carried out by various agencies from different sectors, both vertically and horizontally, and the scope of work between organizations is also different. The tension resulting from the large number of network actors involved in decision-making can cause deadlock and stagnation [3]. Thus, this can hurt tissue function and potential. Seeing the complexity of the problems faced in the process of synchronizing central and regional planning and budgeting, researchers are interested in studying this phenomenon from a Network Governance perspective because this perspective is considered to be able to offer a way of managing government that aims to facilitate the dynamics of interaction between the actors and institutions involved, and simultaneously as a means for actors and institutions to maximize their respective interests. Network governance is a governance network consisting of various interactions between members, which focuses on government affairs to collaborate in allocating resources and coordinate or control joint actions within a network [8].

Academics and practitioners have widely recognized the Network Perspective as an important form of multi-organizational governance. The benefits of network coordination in both the public and private sectors include increased learning, more efficient use of resources, increased capacity to plan and solve complex problems, greater competitiveness, and better service for clients and customers.

This research will focus on the crucial role of network governance and its impact on network effectiveness. Network effectiveness in this research is defined as achieving positive network-level outcomes that would normally be unattainable by individual, organizational participants acting independently.

The effectiveness of network cooperation in the network governance concept needs to be seen to assess the pattern of a network and to provide input on the sustainability of the implementation of network governance. Network effectiveness can be seen from (1) the structural characteristics of the network (Network Structure), which consists of network integration and external control, and (2) network context characteristics, which consist of system stability and resource philanthropy [9].

However, the recent network governance debate has raised critical questions about network function. Network governance experts have begun to pay attention to uncovering "how, and under what conditions, network governance is able to realize more significant governance potential" [10]. As a result, a new stream of network governance literature was developed, namely the concept of Network Capabilities.

2 Research Methods

The research design used is qualitative. The unit of analysis for this research is the Ministry/Institution and other stakeholders involved in synchronizing central and regional planning and budgeting, namely the link between planning and budgeting at the district, provincial, and central levels. Thus, the object of research is synchronizing central planning and budgeting and provincial and district planning and budgeting processes. Data collection in this research is limited to interactions between institutions at the central government level (Bappenas, Ministry of Finance, and Ministry of Home Affairs) and the sample regions, namely the South Sulawesi Provincial Government and the Makassar City Government. In this research, data will be obtained through various methods with several consideration options: interview and observation.

3 Results and Discussion

3.1 The Complexity of Planning and Budgeting

The research results show that the complexity of planning and budgeting in central and regional network governance in Indonesia is one of the main challenges. Significant differences in economic, social, and infrastructure conditions between regions in Indonesia create natural obstacles to efforts to develop uniform and efficient planning and budgeting across the country.

"Each region has unique characteristics, which influence our planning substantially. What a priority in one region may not be relevant in another. This makes it difficult to adopt a one-size-fits-all approach."

"When we conducted in-depth research in various regions, we saw significant differences in infrastructure, unemployment, and poverty rates. These all have to be taken into consideration in planning and budgeting. This is a big challenge for the

central government to formulate policies that can accommodate these various situations well."

This statement highlights how significant differences in the characteristics and needs of each region create difficulties in formulating suitable plans for all regions. This illustrates the complexity of these differences in the context of national planning and budgeting.

Effective planning and budgeting must consider concrete differences in social and economic conditions between regions. This shows that overcoming this complexity requires a deep understanding of the dynamics that apply in the field.

The observation results show concrete examples of this complexity in planning and budgeting practices. In a region with rapid economic growth, there is a strong focus on developing road and transport infrastructure. However, in more remote areas, the focus is more on poverty alleviation programs and access to essential services.

In addition, we also see that the budget preparation process in several regions is carried out in different ways, depending on the local policy level. Some areas have participatory solid systems involving the community in setting priorities, while others are more focused on decisions from local government.

3.2 Insufficient Coordination

One of the crucial problems in the governance of planning and budgeting synchronization networks between the center and regions in Indonesia is that coordination is often inadequate. Although there is a regulatory framework governing this synchronization, in practice, there are still gaps in the understanding and implementing of these policies. This can result in uncertainty and lack of clarity in the planning and budgeting process at the national level.

"Coordination with central government is often difficult because we do not always clearly understand how national policies should be interpreted in our regional context."

"Poor coordination between the center and regions can result in overlapping development programs and use of funds. This not only wastes resources but can also create ambiguity in responsibilities."

This statement reflects how gaps in understanding how national policies should be implemented in certain areas can lead to uncertainty. Local governments often feel confused about adapting to national policies that may not fully suit their circumstances—the negative impact of lack of adequate coordination. Overlaps in development programs and fund allocation can disrupt the efficient use of resources, which in turn can hamper development progress at both levels of government.

Based on observations in several cases, there are difficulties in implementing national policy instructions at the regional level due to differences in understanding between the center and the regions. This sometimes results in delays in the implementation of essential programs. In addition, in some situations, regional stakeholders feel less involved in planning and budgeting processes that involve the center. This can reduce the sense of ownership and commitment to implementing national policies.

3.3 Active Role of the Coordinating Ministry

The research results show that the Coordinating Ministry is essential in facilitating the synchronization of planning and budgeting between the center and regions in Indonesia. However, there are variations in the level of involvement and capabilities of these ministries in different areas, leading to non-uniformity in implementing these policies.

"We feel that the Coordinating Ministry's role in our region is inconsistent. Sometimes, they are very active in helping us implement national policies, but other times, we feel forgotten."

"Coordinating Ministries are significant in aligning central and regional policies. However, in some cases, they may not have sufficient resources to carry out their role effectively."

This statement reflects the uncertainty experienced by the region regarding the role of the Coordinating Ministry. A lack of uniformity in levels of involvement can result in a lack of clarity about the support they can expect from the central government. Resource constraints may affect the Coordinating Ministry's ability to perform its role well. This creates variations in the level of effectiveness in different regions.

Observation results show variations in the support and involvement of the Coordinating Ministry in various regions. In several areas, the Coordinating Ministry is actively assisting regions to prepare planning and budgeting under national policies. However, their role may be limited or not implemented consistently in other areas. In addition, differences in the level of resources available to Coordinating Ministries in particular regions may impact their ability to provide the technical support required by local governments.

3.4 Limited Regional Resources

The research results show that most regions in Indonesia face significant human and financial resource limitations in their efforts to develop comprehensive planning and budgeting. This condition hampers the ability of these regions to participate actively in the national planning process.

"We have many ideas and potential for development in our area, but limited human resources often limit us. We don't have enough experts to formulate a thorough plan."

"Financial limitations are also a major obstacle. Without an adequate budget, regions find it difficult to implement programs that support long-term planning."

This statement reflects the main challenge many regions face: the lack of qualified human resources to prepare comprehensive plans. This can hamper regional development initiatives. Limited financial resources can limit the ability of regions to implement the programs listed in their plans. This can cause a gap between plans and implementation.

Limited human and financial resources are a severe challenge to the governance of Indonesia's central and regional planning and budgeting synchronization networks. This can hinder the ability of regions to contribute to national planning and implement important programs actively. Therefore, further efforts must be made to provide technical and financial support to regions in need and to find collaborative solutions to overcome these resource limitations to ensure the continuity and success of national planning implementation.

The discussion has four main research findings regarding the governance of planning and budgeting synchronization networks between central and regional governments in Indonesia. We will also refer to relevant previous research findings to comprehensively understand the issues at hand. Next, we will analyze the implications of these research findings for policy, practice, and resource allocation.

3.5 The Complexity of Planning and Budgeting

This research's findings highlight the high complexity of planning and budgeting in central and regional governments in Indonesia. This complexity arises from variations in conditions, priorities, and needs in different regions, which creates challenges in formulating uniform and efficient planning and budgeting across the country. Previous research also highlights the challenges of managing regional diversity in planning and budgeting processes in Indonesia [2]. Experts emphasize greater flexibility and decentralization in resource allocation and decision-making processes to align better with local conditions [9]. The complexity of planning and budgeting requires different approaches. Central governments must recognize regional variations and allow for more localized decision-making and resource allocation. This may involve revising existing policies to give regions greater autonomy in determining their development priorities. It also requires a robust data collection and analysis system to ensure that local conditions are accurately represented in the planning process.

3.6 Insufficient Coordination

Research findings show that coordination between central and regional governments is often inadequate. Although there is a regulatory framework governing the synchronization of planning and budgeting, gaps in the understanding and implementation these policies still exist. This results in uncertainty and ambiguity in the planning and budgeting process. Previous research shows the importance of improving coordination mechanisms between central and regional governments [1]. This includes improving communication channels, ensuring clarity of policy interpretation, and encouraging a shared understanding of objectives. The central government must take a more proactive role in interacting with local governments to overcome coordination challenges. Establishing clear guidelines for the implementation of communications policies and protocols is critical. Regular dialogue and consultation between central and regional governments can bridge gaps in understanding and encourage harmony in planning and budgeting efforts.

3.7 Active Role of the Coordinating Ministry

This research emphasizes the important role of the Coordinating Ministry in facilitating synchronization. However, variations in the level of involvement and capacity of these ministries in various regions lead to inconsistencies in implementation. Previous research has recognized the Coordinating Ministry's important role in Indonesia's government system [6]. These ministries serve as intermediaries between the central

government and local governments, helping to simplify the planning and budgeting process.

To increase uniformity and effectiveness, Coordinating Ministries must have adequate resources and capacity to carry out their roles consistently across regions. Centralized coordination mechanisms should be strengthened, and training programs should be provided to increase the capacity of ministry staff. In addition, evaluating the performance of the Coordinating Ministry in various regions can identify areas that need improvement and best practices that can be implemented nationally.

3.8 Resource Constraints in the Region

Most regions in Indonesia face both human and financial resource constraints when developing comprehensive planning and budgeting. These limitations hinder their active participation in the national planning process.

Previous research has identified resource constraints as a recurring challenge facing local governments [4]. These include a lack of skilled personnel, inadequate budget allocations, and gaps in resource distribution. Overcoming resource limitations in regions is critical to ensuring effective regional participation in national planning. The central government should consider increasing budget allocations to regions with fewer resources. In addition, capacity-building programs and technical assistance should be provided to improve the skills and capabilities of local government officials. Additionally, exploring public-private partnerships and donor collaboration can increase regional resources and support the implementation of development programs.

4 Conclusion

The governance of central and regional planning and budgeting synchronization networks in Indonesia has a number of challenges that need to be overcome. Complexities in planning and budgeting, lack of adequate coordination, variations in the role of Coordinating Ministries, and limited resources in regions are crucial problems. Improvement efforts should focus on developing more precise guidelines, more effective communication, strengthening the role of the Coordinating Ministry, better resource allocation, and increasing capacity at the regional level. By addressing these challenges, Indonesia can optimize the governance of this network to achieve more efficient, equitable, and sustainable planning and budgeting across the country.

References

1. G. Davis, "Executive coordination mechanisms," in *The hollow crown: Countervailing trends in core executives*, pp. 126-147, Palgrave Macmillan UK, (1997).
2. G. Dixon and D. Hakim, "Making Indonesia's budget decentralization work: The challenge of linking planning and budgeting at the local level," in *The Many Faces of Public Management Reform in the Asia-Pacific Region*, vol. 18, pp. 207-245, Emerald Group Publishing Limited, (2009).

3. E. H. Klijn, "Governance and governance networks in Europe: An assessment of ten years of research on the theme," *Public Management Review*, vol. 10, no. 4, pp. 505-525, (2008).
4. A. Luque, G. A. Edwards, and C. Lalande, "The local governance of climate change: new tools to respond to old limitations in Esmeraldas, Ecuador," *Local Environment*, vol. 18, no. 6, pp. 738-751, (2013).
5. I. Maulana, S. A. Lukito, S. Suharyanto, and S. Pranoto, "Perencanaan Pengendalian Banjir Sungai Tuntang di Desa Trimulyo Kabupaten Demak," *Jurnal Karya Teknik Sipil*, vol. 6, no. 4, pp. 447-459, (2017).
6. M. Morfit, "Pancasila: The Indonesian state ideology according to the new order government," *Asian Survey*, vol. 21, no. 8, pp. 838-851, (1981).
7. K. G. Provan and H. B. Milward, "Do networks really work? A framework for evaluating public sector organizational networks," *Public Administration Review*, vol. 61, no. 4, pp. 414-423, (2001).
8. K. G. Provan and P. Kenis, "Modes of network governance: Structure, management, and effectiveness," *Journal of Public Administration Research and Theory*, vol. 18, no. 2, pp. 229-252, (2008).
9. M. A. Saide and D. E. Stewart, "Decentralization and human resource management in the health sector: a case study (1996–1998) from Nampula province, Mozambique," *The International Journal of Health Planning and Management*, vol. 16, no. 2, pp. 155-168, (2001).
10. E. Sørensen, "Metagovernance the changing role of politicians in processes of democratic governance," *The American Review of Public Administration*, vol. 36, no. 1, pp. 98-114, (2006).

Open Access This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

